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ABSTRACT

A collection of 37 working papers for presentation at a research forum on philanthropy, voluntary action, and the public good is presented. Thirteen sections provide information on the following subjects: (1) philanthropy, voluntary action, and the public good ("Partners in Public Service: Government and the Nonprofit Sector in the American Welfare State," by Lester M. Salamon, James G. Musselwhite, Jr., and Carol J. De Vita); (2) how foundations are faring (e.g. "A Survey of Private Foundations," by Margaret Riley); (3) the impact of foundation philanthropy on society here and abroad ("The Moral Basis of Capitalist Philanthropy," by Barry D. Karl); (4) corporate giving (e.g. "The Environment and Corporate Giving Behavior," by Joseph Galaskiewicz); (5) individual giving and volunteering (e.g. "The Charitable Behavior of Americans Management Summary," by Arthur White); (6) who volunteers and why (e.g. "Volunteerism in America: Who Volunteers and Why?" by Harry E. Cotugno); (7) size, scope, and dimensions of the independent sector (e.g. "Toward a National Taxonomy of Exempt Entities," by Russy D. Sumariwalla); (8) the management and distribution of resources of the independent sector (e.g. "Philanthropy Rights and Entitlement," by Julian Wolpert and Thomas A. Reiner); (9) philanthropy abroad (e.g. "American Jewish Philanthropy Abroad," by Marc Lee Raphael); (10) advocacy organizations (e.g. "Advocacy Organizations and Community Movements," by Robert Fisher); (11) current public policy and voluntary organizations (e.g. "Privatization as a Social Issue," by Forrest P. Chisman); (12) public policy among the subsectors (e.g. "Donors to Higher Education: Implications for Tax Policy," by Frank J. Balz); and (13) giving, volunteering, and public policy (e.g. "Tax Reform and Charitable Giving," by Lawrence B. Lindsey). (SM)

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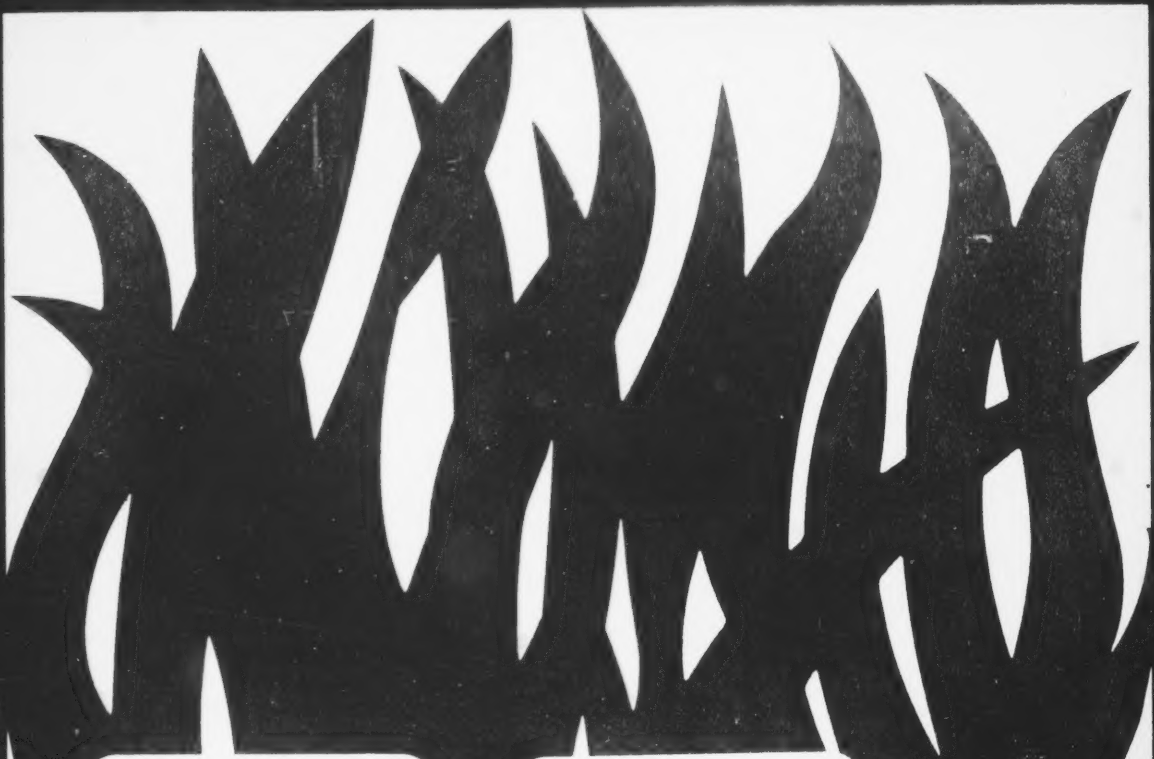

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1986 Spring Research Forum
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INDEPENDENT SECTOR

UNITED WAY INSTITUTE

Philanthropy, Voluntary Action and the Public Good

1986 Spring Research Forum

WORKING PAPERS

March 13-14, 1986

Vista International Hotel, 3 World Trade Center, New York, New York

INDEPENDENT SECTOR

UNITED WAY INSTITUTE

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FOREWORD

Here are the collection of working papers for the 1986 Spring Research Forum: "Philanthropy, Voluntary Action and the Public Good." The Forum, which is co-sponsored by INDEPENDENT SECTOR and United Way Institute, will be held on March 13-14, 1985 at the Vista International Hotel in New York City.

The theme for this Forum addresses the fundamental purposes of this independent sector of American society--that is the long-standing tradition of Americans to form voluntary associations to help others and to serve the public good. This year marks the thirtieth anniversary of the Princeton Conference on the History of Philanthropy sponsored by the Russell Sage Foundation which was influential in bringing to the attention of historians the lack of attention paid to the history of philanthropy and voluntary action for the public good. Part of this year's Spring Research Forum will celebrate that event and look at the impact that Conference had on the history of philanthropy.

The celebration will start on March 13 with a keynote address on philanthropy and American history by Michael Kammen, Newton C. Farr Professor of American History and Culture, who won the Pulitzer Prize in 1973 for his book People of Paradox: An Inquiry Concerning the Origins of American Civilization (Knopf, 1972).

For the past few years, we have seen a growing interest in research on the independent sector among scholars. This Forum is testimony to the amount and quality of important new research that is currently underway on this sector. It is with particular pleasure that we can provide in these papers the first results of research projects that are in progress or just completed. Much of the information included here has not been published elsewhere. The first section includes a paper for the general session. The following sections are divided into twelve conceptual areas for the panel discussions: (1) how are foundations faring?; (2) the impact of foundation philanthropy here and abroad; (3) corporate giving; (4) individual giving and volunteering; (5) who volunteers and why?; (6) the size, scope and dimensions of the independent sector; (7) the management and distribution of resources of the independent sector; (8) philanthropy abroad; (9) advocacy organizations;
(10) current public policy and voluntary organizations; (11) public policy among the subsectors; (12) giving, volunteering and public policy.

The authors were asked to address three questions on their topics: (1) What questions need to be addressed on the topic?; (2) What research has been or is currently being conducted?; (3) How can the results of this research be used? Through these papers and the Forum sessions, we hope to expand and to extend the development of a basic body of knowledge on philanthropy, voluntary association and the public good.

We urge you to review papers on special topics of interest to you and to prepare questions for the discussion sessions. The authors will not summarize their papers, so that each session will be completely open for discussion.

As you review these papers, registrants are asked to select three to six areas of particular interest so that on March 14 you may select three panel sessions that you would particularly like to attend.

Finally, we would like to thank the authors who voluntarily agreed to contribute these papers and met stringent deadlines. The opinions expressed in these papers are those of the authors and not necessarily of INDEPENDENT SECTOR or United Way Institute. The contributions of these authors provide us with a major beginning toward charting the research map on philanthropy and voluntary action for the public good both in America and abroad. Their work will also provide direction for future researchers in the years ahead.

We look forward to meeting you on March 13-14.

Virginia A. Hodgkinson
INDEPENDENT SECTOR

Russy D. Sumariwalla
United Way Institute

SECTION ONE - PHILANTHROPY, VOLUNTARY ACTION AND THE PUBlIC GOOD

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Partners in Public Service: Government and the Nonprofit Sector in the American Welfare State

by Lester M. Salamon, James G. Musselwhite, Jr. and Carol J. De Vita 3

WORKING DRAFT

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PARTNERS IN PUBLIC SERVICE: GOVERNMENT AND THE NONPROFIT SECTOR IN THE WELFARE STATE

by
Lester M. Salamon
James C. Musselwhite, Jr.
Carol J. De Vita

Prepared for
Philanthropy, Voluntary Action
and the Public Good Panel
March 14, 1986

The views expressed here are those of the authors only and do not necessarily reflect the opinions of The Urban Institute, its trustees, or sponsors. The authors wish to express their gratitude to the sponsors of The Nonprofit Sector Project, listed in the back of this paper, and to their colleagues on this project, also noted in the back of this paper.

About the Authors: Lester M. Salamon is Director, Center for Governance and Management Research and Project on the Nonprofit Sector, The Urban Institute. James C. Musselwhite, Jr. is a Research Associate, Center for Governance and Management Research, The Urban Institute. Carol J. De Vita is a Research Associate, The Urban Institute.

Partners in Public Service: Government and the Nonprofit Sector in the American Welfare State

During the past several years we have been engaged in a major project examining the scope and structure of the private, non-profit sector in the United States; analyzing the patterns of spending by federal, state, and local governments in fields where nonprofit organizations are active; and evaluating the impact of changes in government policy on the revenues of nonprofit organizations and on the demand for their services. This project has involved work at the national level and in 16 local field sites selected to provide a reasonable cross-section of the nation in terms of region, size, socio-economic condition, and philanthropic tradition. These field sites include one large metropolitan area, one medium-sized metropolitan area, one small metropolitan area, and one rural county in each of the four major census regions of the country. (See table 1 below).

In each of these field sites, several different types of data gathering and analysis were undertaken. These included: (1) a survey of nonprofit human-service organizations (exclusive of hospitals and higher education institutions); (2) the tracking of federal, state, and local government spending in six major human service fields (health, social services, employment and training, housing and community development, arts and recreation, and income assistance); (3) analysis of the extent of government contracting with nonprofit service agencies in these six fields; (4) case studies; (5) a survey of religious congregations; and (6) extensive interviewing of prominent nonprofit and philanthropic leaders.

Out of this work has come a substantial body of new data about the nonprofit sector, about government human service activity, and about the relationships between the two. What these data suggest is that a number of the conventional conceptions of the role and character of the nonprofit sector and of the operations of the nation's human-service delivery system are in need of revision. In particular:

- We have demonstrated that the nonprofit sector is far larger, and plays a far more important role in the delivery of human services, than most analyses of tne American welfare state would suggest and many accounts of the nonprofit sector have acknowledged. In fact, in many localities, the expenditures of the private nonprofit sector exceed those of local governments by a factor of two or three to one.

- Our work has challenged conventional theories that posit an inherent conflict between nonprofit organizations and government, and has shown instead the extent to which these two sectors have joined forces in the pursuit of public objectives.

- We have raised questions about the conventional image of the American "welfare state," which confuses the provision of funds with the delivery of services, and have demonstrated how substantial a portion of the services that government funds are actually delivered by private, nonprofit groups.

- We have altered long-standing assumptions about the financial base of the nonprofit sector by documenting the dominance of government and service fees over private giving as sources of nonprofit revenue.

- We have raised important questions about the orientation of the "charitable" sector by documenting the sector's relatively limited focus on the poor and its growing reliance on fee-paying customers.

In the pages that follow we elaborate on these and other themes and present some of the evidence in support of them, focusing first on the results of our survey of nonprofit service organizations, and then examining the results of our detailed analysis of federal, state, and local government spending.[1]

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[1] For a more detailed statment of project findings, see the list of project publications at the end of this paper.

The Nonprofit Sector

A major objective of our four-year research effort has been to close the gaps that have long existed in basic information about the scope and structure of the nonprofit sector, its principal sources of funding, its activities, and its clientele. In addition, we have sought to monitor how recent changes in public funding priorities have affected this set of organizations. Our research focused on the human services component of the nonprofit sector, namely that group of organizations which actually provide services to a broad, general public, not just to their own membership. Included in this definition are day care centers, programs for the elderly, museums, symphony orchestras, YMCAs, job training programs, and many more. Only hospitals and higher education facilities were excluded from our study in order to make our survey more manageable and because good information on these two types of nonprofit organizations is available from the American Hospital Association and the National Center for Education Statistics.

The Approach

To learn about these agencies, we first developed a complete roster of all nonprofit human service organizations in our 16 study sites and then distributed a mail survey to the entire population of such agencies in our medium and smaller sized sites, and to large samples of these agencies in the five largest sites. Altogether 7000 agencies were surveyed and over 3400 responded, yielding a response rate of 49.7 percent, which, judging by other research of this type, is quite good.[2] Two years later, in the spring of 1984, we resurveyed the original respondents, and received about 2300 returns that could be linked to our Wave 1 data files.

Without question, this study has been an ambitious undertaking both for the size and scope of the work, but also because the type of longitudinal information it has developed is seldom available to the research and policy communities. Like any study, however, it has its limitations. For example, our decision to resurvey only original respondents meant that we could not obtain information on the newly formed organizations in the sector. Similarly, in spite of considerable effort to identify the organizations that "closed" or "went-out-of-business" during the period between our two rounds of data collection, our information on this group of organizations is quite limited. Yet in spite of such caveats, we have been able to gain enormous insights into how nonprofit organizations function and how they are coping with cutbacks in government funding, insights that in some cases run counter to conventional belief. In particular, nine principal findings of our survey work deserve mention.

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[2] In 17 previous studies of the nonprofit sector that we reviewed, samples rarely exceeded 1000 agencies and survey response rates typically averaged below 30 percent. In two of the surveys most comparable to The Urban Institute's work in terms of sample size and depth of analysis, response rates of less than 15 percent were achieved.

Findings

1. Fewer nonprofits focus on the poor than is commonly believed.

Although the popular image pictures nonprofits as principally focused on providing services to the poor, this stereotype does not reflect the realities of today's nonprofit world. Less than one-third of the agencies in our sample said that they focused on serving a low income or poor clientele. This finding in part reflects the great diversity of the sector in terms of its activities and client focus. Nonprofits not only provide social services, they also offer culture/arts/recreation activities, education and research, health-related services, and a host of other activities that address broad community needs (see table 2). Furthermore, far fewer agencies focus on serving a particular ethnic, racial, or special need group than some theories of the nonprofit sector would suggest. Rather, most agencies serve a broad cross section of community members. Clearly, the nonprofit sector is not a homogenous entity with a common set of goals, purposes, or objectives.

2. Most nonprofit organizations in this country are small but the vast majority of the sector's expenditures are made by a relative handful of large agencies.

As table 3 shows, 40 percent of the nonprofit organizations in our study have expenditures of under $100,000, but these small agencies account for only 2 percent of the sector's resources. It is the large agencies, with budgets over $1 million, that control the bulk of the sector's money. These large agencies account for three-quarters of the sector's resources. Clearly, financial expenditures, and hence service activity, are not spread evenly throughout the sector, and this picture of concentration would be even greater if hospitals and higher education institutions were included.

3. Even after an initial round of government budget cuts, government--not private charity--is the largest single source of revenues for the average nonprofit organization in this country.

As shown in table 4, 38 percent of the sector's 1982 income came from government, with 60 percent of the agencies receiving some portion of their funding from government sources. The second major source of funding is income from dues, fees, and service charges, accounting for 30 percent of the total. Fee income also is the most widely used source of support with nearly 7 out of 10 nonprofit agencies collecting this type of revenue. Private charitable giving ranks third among all major funding sources and accounted for only 21 percent of the sector's 1982 income. What is most surprising is the relatively small proportion of agencies that actually received private philanthropic support. Only 38 percent of the agencies in our study received foundation grants; 34 percent got corporate gifts; and 23 percent received United Way funding. Apparently, it is donations directly from individuals that is the mainstay of private philanthropic support. Although philanthropic giving may be a distinctive feature of the nonprofit sector, it is government funding that has supported much of the sector's activity.

4. Funding patterns vary widely by service area and by community.

Aggregate statistics, like those presented above, tend to mask differences between the various components of the sector. For example, as table 5 shows, 6 of the 10 service areas in our study relied on government support for half or more of their funds. Fee income was the principal funding source for health services and education/research activities, while private giving was the principal source of support for only one service area--culture/arts/recreation. Similarly, in each of our study communities there was considerable variation in funding patterns (see table 6). Although government funding was the principal source of support for nonprofits in each local community, the extent of reliance on government ranged from 66 percent in Jackson, Mississippi, to 32 percent in Chicago. As in our national picture, fee income tended to be the second most important source of funding in 7 of our 12 metropolitan sites. In only four communities--Jackson, Boise, New York, and Dallas/ Fort Worth--did private giving rank as the number two source of income.

5. As nonprofits entered the 1984 fiscal year, the average agency was still 3 percent below its previous 1981 government funding levels in inflation adjusted dollars.

Between 1981 and 1982, government support to the average nonprofit organization dropped by 6 percent (see table 7). But cuts were deepest in the service areas of legal services/advocacy (down 29 percent), housing/community development (down 16 percent), employment/ training/income support (down 13 percent), and social services (down 9 percent). Our preliminary analysis of round 2 data show that in the following year, 1982 to 1983, government support increased by 3 percent. However, this still left the sector 3 percent below its 1981 level.

6. In spite of government budget cuts, nonprofit organizations, on average, continued to grow, replacing much of their lost government revenues from increases in fees and service charges.

Based on our second round of data, we estimate that total funding for the average nonprofit agency in our study increased by approximately 6 percent between 1981 and 1983. Fee income rose by 13 percent, while increases in all sources of private giving, combined, went up by 10 percent. This is particularly significant in view of the fact that fee income started from a larger base. It thus appears that the nonprofit sector has been more successful in raising revenue from commercial sources than from philanthropic ones.

7. Some types of nonprofit agencies have not been able to replace their lost government revenues and therefore remain substantially below their total 1981 funding levels.

While the nonprofit sector as a whole was able to recover from the early losses in government support, agencies that specialize in employment/training, legal services/advocacy, social services, and multiservice activities did not (see table 7). These agencies apparently have less access to either fee income or private philanthropic support. Whether this is because of the types of services that these agencies provide or because of the types of clients that they serve, these nonprofits could not replace their lost government funding and ended the 1981-1982 period with net declines in total revenue. Preliminary analysis of our round 2 data suggest that, of those nonprofits noted above, all but social service agencies continued to be below their 1981 funding levels at the start of 1984. In addition, housing/community development organizations have joined this list of struggling nonprofits. Because these types of organizations rely so heavily on government support for their funding, any future cuts in government support undoubtedly will put a considerable squeeze on their already depleted resources.

8. The impact of government retrenchment varied by site, but these differences cannot be explained simply in terms of Sunbelt growth vs. Snowbelt decline (see table 8).

Although cities such as Dallas/ Fort Worth and Phoenix posted impressive gains in their overall budgets, other Sunbelt sites such as Atlanta and Jackson were not able to recover from cuts in their government funding. On the other hand, some Snowbelt communities, like Flint and Pittsburgh, suffered substantial declines in their funding base, but New York and Minneapolis/St. Paul were among the success stories in our study. Clearly, regional differences and local economic conditions play a part in explaining why some nonprofits recovered from government budget cuts while others did not, but other factors also contributed to this outcome. It is still unclear at this point what factors enable nonprofit organizations to grow and to prosper.

9. For many nonprofits, the loss of government funding has meant a reduction in services, an increase in workloads for staff, and the devotion of more staff time and resources to fundraising efforts.

There clearly are signs of stress within the sector (see table 9). Many nonprofit organizations are experimenting with new ways of lowering costs and improving management efficiencies. Our round 2 data indicate that a few nonprofits have set up profit making subsidiaries, hired outside fund raising specialists, or developed programs to obtain funding through wills and bequests. But agency directors have expressed concern that funding problems will continue to affect the availability of services, as well as the quality of services. With the almost certainty of more government funding cuts on the horizon, the nonprofit sector is likely to face even more austere conditions in the months ahead than it did in the early 1980s.

The Nonprofit Sector and Government

Because, as noted above, nonprofit organizations receive the largest share of their revenues from government, no serious analysis of the nonprofit sector can proceed very far without a clear understanding of government activity in the social welfare field. Such activity not only affects nonprofit revenues, however; it also affects the level and nature of the needs that nonprofit organizations are called upon to meet.

Unfortunately, however, the data needed to analyze the patterns of government social welfare activity are every bit as inadequate as the data on the scope and structure of the nonprofit sector. While it is possible to collect the budgets of states or local governments, these documents typically cover different geographic areas, apply to different time periods, use different groupings of programs, and take very little account of the extensive flows of funds from one level of government to another. As a consequence, there is no single source to which one can turn to get a complete, unduplicated count of the extent of spending by all levels of government on a given range of services in a particular geographic area such as Cook County (Chicago), Illinois, or San Francisco. Nor are data available on the extent of government contracting with nonprofit providers in these fields. As a consequence, leaders in both the public and private sectors, as well as the general public, are poorly equipped to set priorities, sort out public and private roles, or assess the implications of government policy changes on either the demand for nonprofit services or the revenues of nonprofit organizations.

The Approach

To remedy this, The Urban Institute's Nonprofit Sector Project supplemented its analysis of the nonprofit sector with a detailed examination of federal, state, and local government social welfare spending, and of government contracting with nonprofit and for-profit providers. The result is the first comprehensive human services budget available in a comparable form across communities. The data cover sixteen communities broadly representative of the nation in six program areas of concern to nonprofit organizations: health care, social services, employment and training, housing and community development, arts and culture, and income assistance. The data were collected with the help of local associates living in the research sites. A standard research instrument was used, and considerable verification was carried out by national staff to insure that the data collected were both accurate and comparable from community to community.[3] The resulting data shed important new light on the way our social welfare system operates. In particular, five key findings are worth noting.

Findings

1. Per capita government spending on human services varies widely among localities.

One of the principal findings of our work is that, despite efforts to smooth out inequities among locales in the provision of social welfare services, considerable variations remain. There is, in this sense, no single welfare state in America, but rather many distinct levels of government support and commitment to human services in different types of communities. In New York City, for example, per capita government spending in six major social welfare areas is about three times the level in Dallas (see table 10). Though there are exceptions, government social welfare spending is generally greater in the Northeast, Midwest, and in larger communities than in other kinds of communities. These differences are accounted for by a combination of differing local political philosophies, financial capacities, and needs. It is interesting, however, that the areas where government spending is highest are also the areas where the nonprofit sector is most highly developed, and vice versa. This suggests that government spending and private, nonprofit activity are products of the same impulses and casts doubt on theories that posit a conflict between these two sectors.

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[3] For a detailed discussion of the methodology used, see James C. Musselwhite, Jr., Rosalyn B. Katz, and Lester M. Salamon, Government Spending and the Nonprofit Sector in Pittsburgh/Allegheny County (Washington, D.C.: The Urban Institute Press, 1985).

2. Most government social welfare spending is concentrated in just two program areas: health care and income assistance.

Reflecting, in part, the immense size of the federal Medicare program, spending for health care alone accounts for nearly 60 percent of government spending in the fields we examined, while income assistance accounts for an additional 25 percent. Therefore, these two program areas together account for about 85 percent of total spending.

This means that the four remaining program areas-- social services, employment and training, housing and community development, and arts and culture--together account for only about 15 percent of all government spending in the social welfare field. This suggests that there are real limits to the budget savings that are available in these four fields.

3. Most government human service activity is funded by the federal government, but most is administered by state and local government.

The federal government is the dominant source of funding for government social welfare programs, as might be expected given the tremendous expansion of the federal government over the last several decades. In the six program areas of interest here, in fact, the federal share of total spending in 1982 averaged approximately 70 percent (see table 11).

Though federal spending is prominent in all communities, it is important to note that the federal government picks up a different share of the social welfare tab from community to community. This is so because of differences in the socio-economic characteristics of communities, because of different traditions of state and local involvement in the social welfare field, because there are disproportionately large regional institutions in some communities, and because local communities are more or less aggressive in pursuing federal funds, including those that are channeled through state government. Among our sixteen study sites, the share of federal spending ranged from 91 percent in Jackson, Mississippi to 57 percent in Tuscola County, Michigan and in Pinal County, Arizona.

While the federal government is the dominant source of funding for government social welfare programs, state and local governments continue to play a crucial role. In the first place, state and local governments provide about thirty percent of the funding, though this figure ranges widely among communities. In some fields, such as social services, moreover, the state and local share of spending averages a little over 40 percent of the total. In the second place, if Medicare is excluded, state and local governments have administrative control over two thirds of the federal funds spent in these program areas. This is so because many of the federal programs channel their funds through state and local governments. Taken together, therefore, about 80 percent of all government social welfare spending, excluding Medicare, is administered by state and local governments (see table 12). These governments thus make most of the decisions about how these services are delivered and by whom.

4. Nonprofit organizations deliver about as many government-funded human services as does government itself.

Much has been said about privatization of public services in the 1980s. Indeed, one gets the impression that privatization is something new, and that government has used private organizations very little to carry out programs that it funds. This simply is not the case. In fact, exclusive of income assistance, governments at all levels actually deliver less than half of the social welfare services they finance. In the typical community, government provides directly only about two-fifths of the services it funds in these fields (see table 13). The remaining three-fifths is contracted out to private nonprofit and for-profit organizations. About two-fifths of total government spending in social welfare goes to nonprofits, and about a fifth goes to for-profits. This high level of contracting out was in place long before the Reagan Administration, and has been the mechanism by which many of the new programs of the 1960s and 1970s were carried out.

Government reliance on nonprofits to deliver publicly financed services is particularly extensive in the fields of day care, elderly services, legal services, hospital services, in all of which nonprofits deliver over half of the publicly funded services. Nonprofits are also major providers of publicly funded services in the fields of family services, services for the disabled, child welfare services, mental health and drug abuse services, employment and training, and arts and culture.

Government's use of nonprofits also varies considerably among communities (see table 13). As a rule, governments in the Northeast and larger communities tend to use nonprofits more than governments in other kinds of communities. For example, government in the Pittsburgh area contracts out half the services it funds. By contrast, government in Tuscola County, Michigan contracts out only 12 percent of its social welfare funding to nonprofits. Generally speaking, government use of the nonprofit sector is greatest where the sector is strongest, and most limited where the sector is weakest.

What all of this means is that in the human service field, at least, less attention needs to be given to building public/private partnerships from scratch than to improving those that already exist. At a minimum, in our zeal to encourage privatization, care must be taken to avoid damaging the extensive partnership arrangements between the public and the private nonprofit sectors that already exist.

5. Recent government budget cuts fell particularly hard on nonprofit organizations and have led to increased competition from for-profit providers.

While federal spending grew in the early 1980s in the large "entitlement" programs such as Medicare and income assistance, outside of these two areas federal budget cuts occurred that reduced the resources available for government human service activities in the remaining fields in most of our local sites. What is more, in many of these sites state spending, far from increasing to offset the federal declines, actually declined as a result of the recession that occurred. As a result, between 1982 and 1983, the years for which we collected local data, the value of government service spending, exclusive of Medicare and income assistance, declined by an average of 3 percent in our study sites. In some sites, however, the drop was much sharper than this, as shown in table 14. What is more, some fields--such as employment and training--experienced far more severe cuts than others.

Nonprofit organizations absorbed a disproportionate share of these cuts. Thus while government spending declined by 3 percent overall outside of Medicare and income assistance, government support for nonprofit service providers in these fields declined by over 5 percent. In some communities, moreover, the nonprofit losses were even more severe, reaching close to 10 percent or more in Boise (Idaho), Pittsburgh, Vicksburg (Mississippi), Jackson (Mississippi), Chicago, and Atlanta.

While nonprofits providers suffered disproportionate losses, for-profit providers fared better. In large part, this was because the for-profit sector expanded its operations in the large health care field. But for-profits also increased their revenues from government even in the smaller program areas such as social services and employment and training where government spending declined. The result is more active competition between nonprofits and for-profits for the available government contracts, a competition in which for-profit providers are apparently making headway at the expense of both government and nonprofit providers.

Implications

The kind of work that we have done on government spending and use of nonprofits ought to be of particular value to communities in assessing the potentially large federal budget cuts they face under the Gramm-Rudman Act. What our work makes clear is that such cuts would have very different impacts on different communities. In particular, smaller communities and communities in the South and West are generally more vulnerable to federal cutbacks such as those in the Gramm-Rudman Act because they rely more heavily on federal funds than other communities (see table 11). This should not be surprising. Much of the federal expansion of social welfare programs in the 1960s and 1970s was intended to provide a basic floor nationwide for some kinds of services and income assistance payments. In particular, many of these programs were aimed at poor communities where state and local resources did not exist to meet needs, and at communities more broadly where state and local governments had no tradition of supporting social welfare services. As a result, federal budget cuts would likely fall hardest on those communities where state and local government support for social welfare services has been weakest.

Beyond the immediate concerns about Gramm-Rudman, however, it is clear from our work that mastering the nonprofit sector alone is not enough for those who would be students and analysts of this set of institutions. Because of its great size and because of its large partnership arrangements with the nonprofit sector, the workings of government must also be understood clearly by those who are concerned with the future of the nonprofit sector. Unfortunately, the complexities of government in a heavily fragmented federal system do not make this an easy task for those in the nonprofit sector or in government. In point of fact, the country is a many-colored puzzle where very different government social welfare policies are found as one moves from community to community. The differences include very different amounts of public resources used for these programs, different state and local roles and expectations, and very different views about public-private partnerships. In the short run at least, most communities will have to use very rough approximations of reality generated from existing but fragmentary information. It is to be hoped, however, that more communities will move toward developing comprehensive community information systems of the sort outlined here that will make possible better decisions by both public and private decisionmakers.

Conclusion

The work we have done on the nonprofit sector and on government human service spending has shed some much-needed empirical light on a set of institutions and relationships that is vital to American society but that has largely escaped serious scrutiny up to now. In the process, we have challenged some long-standing misconceptions about the character and role of nonprofit institutions and about the operation of the American version of the modern welfare state.

While we have learned a great deal, however, our work has also demonstrated that much still remains to be learned. We have documented, for example, considerable variation in the scope and structure of the nonprofit sector from place to place, but this variation does not seem to fit very well with the major theoretical explanations available in the literature. Similarly, we have identified considerable differences in the extent of government use of nonprofit providers to deliver services among different locales, yet our understanding of the bases of the governmental decisions to contract out or to provide services directly through public agencies remains rudimentary. Likewise, we have only limited understanding about the advantages or disadvantages of using nonprofit, for profit, or government service providers. Finally, our work has documented a considerable expansion in nonprofit use of fees and service charges to finance the sector's activities, but the consequences of this trend for the structure of nonprofit services or the client focus of the sector remain unclear.

In short, our work has usefully explored the tip of a very large, but still mostly submerged, iceberg. If it has demonstrated that this is territory well worth exploring and developed some useful signposts for others on the trail, however, it will have served its purpose well.

Table 1

Field Sites for Urban Institute Nonprofit Sector Project Local Work

Northeast	South
New York	Dallas/Ft. Worth
Pittsburgh	Atlanta
Providence, RI	Jackson, MS
Fayette County, PA	Warren County, MS
Midwest	**West**
Chicago	San Francisco
Minneapolis/St. Paul	Phoenix
Flint, MI	Boise, ID
Tuscola County, MI	Pinal County, AZ

Table 2

Percentage of Agencies That Specialize in a Particular Service Area or Client Group

Service Category	Percentage of Agencies Specializing in
Service Area[a]	
Social services	24%
Cultural/arts/recreation	18
Multiservices	16
Education/research	13
Health services	8
Institutional/residential care	6
Housing/community development	4
Employment/training/income support	4
Advocacy/legal services	4
Mental Health	3
Total	100%
Client Groups[b]	
Black	15%
Hispanic	4
Asian-American	3
Poor	29%
Unemployed	19
Single Parents	15
Disabled	13
Ex-offenders	2

Source: The Urban Institute Nonprofit Sector Project Survey.

[a] Primary service activity is defined as the area in which an agency spends 50 percent or more of its funds. If an agency does not meet this criteria, it was classified as a "multiservice" organization.

[b] Agencies in which more than 50 percent of clients belong to a specific target group.

Table 3

DISTRIBUTION OF NONPROFIT HUMAN SERVICE ORGANIZATIONS BY SIZE OF 1982 EXPENDITURES

	All Sites	
Agency Size	Percentage of Organizations	Percentage of Sector Expenditures
Less than $100,000	40%	2%
$100,000-$499,999	35	12
$500,000-$1 million	10	10
Over $1 million	15	76
TOTAL	**100%**	**100%**
Median expenditures	$150,000	
Mean expenditures	$758,058	

SOURCE: The Urban Institute Nonprofit Sector Project Survey.

Table 4

REVENUE SOURCES OF NONPROFIT HUMAN SERVICE ORGANIZATIONS, 1982
(n = 2,304)

	Share of Total Nonprofit Revenue from Source	Percentage of Organizations with ANY Support from Source
Government	38.4%	60.3%
Fees/dues/charges	29.6	68.9
Private giving		
Direct individual giving	6.4	58.2
United Way	5.4	23.4
Foundation grants	3.5	38.0
Corporate gifts	3.2	33.6
Other federated funders	1.5	6.9
Religious organizations	1.3	13.0
SUBTOTAL, private giving	21.3%	N/A
Endowment/investments	4.6	32.7
Other[a]	5.7	23.6
Unspecified	0.4	N/A
TOTAL	100.0%	N/A

SOURCE: The Urban Institute Nonprofit Sector Project Survey.

[a] Includes such sources of revenue as sales of products, special fundraising events, and rental of facilities.

Table 5

1982 Nonprofit Sector Income by Service Area and Funding Source

Service Area	Government	Fees	Private Giving	Endowment Investments	All Remaining	Total
Mental health	62%	28%	6%	3%	1%	100%
Social services	54	14	27	3	2	100
Legal services/advocacy	53	14	28	1	5	100
Housing/community development	52	27	18	3	1	100
Employment/training/inc. support	51	10	13	3	23	100
Institutional/residential care	50	32	12	4	2	100
Multiservices	44	24	26	3	3	100
Health	30	52	13	3	3	100
Education/research	26	32	30	9	6	100
Culture/arts/recreation	14	28	31	11	17	100
All agencies	**38%**	**30%**	**21%**	**5%**	**6%**	**100%**

NOTE: Numbers may not sum to 100 percent because of rounding.

Source: The Urban Institute Nonprofit Sector Project Survey

Table 6

NONPROFIT REVENUES FROM SELECTED SOURCES: TWELVE METROPOLITAN SITES 1982

Site	Percentage of Organizations' Total Revenues Coming from		
	Government	Fees/Dues/ Charges	Private Giving
JACKSON	66%	7%	25%
Pittsburgh	51	21	17
Providence	51	27	16
Boise	44	14	34
San Francisco	44	33	15
New York	43	17	20
Phoenix	41	28	23
Minneapolis/St. Paul	37	33	22
Atlanta	36	34	23
Dallas/Fort Worth	34	25	29
Flint	33	32	17
Chicago	32	29	29
ALL SITE AVERAGE[a]	**38%**	**30%**	**21%**

SOURCE: The Urban Institute Nonprofit Sector Project Survey.

[a] Includes data from the four nonmetropolitan study sites as well as from the twelve metropolitan sites listed.

Table 7

Inflation Adjusted Change in Revenue by Service Area and Funding Source: 1981-1982

Service Area	Government	Fees	Private Giving	Total Revenues
Mental health	-0.1%	+29.4%	-6.1%	+6.5%
Social services	-8.8	+3.6	+2.8	-4.0
Legal services/advocacy	-28.8	+19.2	+4.3	-15.5
Housing/community development	-15.6	+45.0	+14.0	+1.9
Employment/training/inc. support	-12.7	+0.9	-1.0	-6.3
Institutional/residential care	+4.1	+5.4	+15.1	+4.4
Multiservices	-8.1	+4.0	+4.0	-1.7
Health	-1.3	+6.6	-0.4	+3.3
Education/research	-7.3	+2.5	+6.9	+0.6
Culture/arts/recreation	-1.3	+8.5	+6.8	+5.7
All agencies	**-6.3%**	**+6.6%**	**+5.0%**	**+0.5%**

Source: The Urban Institute Nonprofit Sector Project Survey

Table 8

INFLATION-ADJUSTED CHANGES IN GOVERNMENT AND NONGOVERNMENT SUPPORT AND TOTAL SPENDING FOR AGENCIES IN TWELVE METROPOLITAN SITES, 1981 TO 1982

	Inflation-Adjusted Changes in--		
Site	Government Support	Nongovernment Support	Total Spending
Atlanta	-22.9%	+ 6.2	-6.5%
Boise	-18.6	+ 6.9	-6.0
Flint	-15.9	- 0.8	-6.3
Jackson	-11.5	+ 9.1	-5.4
Phoenix	-10.9	+16.5	+3.6
Dallas-Fort Worth	- 9.5	+10.5	+2.9
Rhode Island	- 8.8	+ 4.8	-2.6
San Francisco	- 6.4	+ 9.0	+1.6
Chicago	- 6.2	+ 3.0	-0.1
Pittsburgh	- 6.2	+ 3.4	-1.7
Minneapolis/St. Paul	- 2.5	+ 6.9	+3.2
New York	+ 4.4	+ 1.6	+2.8
AVERAGE FOR ALL SITES[a]	**- 6.3%**	**+ 5.3%**	**+0.5%**

SOURCE: The Urban Institute Nonprofit Sector Project Survey.

[a] Includes data from four nonmetropolitan sites as well as twelve metropolitan sites listed.

Table 9

Actions Taken by Nonprofit Organizations to Cope With Changes in Funding Levels

Action Taken	% of Respondents
Affecting agency staff	
Increased staff workload	31%
Reduced administrative staff	22
Not fill staff vacancies	21
Reduced service delivery staff	19
Instituted salary freeze	12
Reduced staff benefits	7
Reduced work week for paid staff	6
Affecting management operations	
Devoted more resources to fundraising activities	56%
Relied more on volunteers	33
Reorganized administrative staff	26
Started new management efficiency programs	25
Shared resources with other agencies	19
Merged with another organization	2
Affecting services or clients	
Increased or instituted fees for service	26%
Eliminated speicifc programs or services	17
Reduced the number of clients served	12
Tightened eligibility requirements	10
Reduced level of service provided	10

Source: The Urban Institute Nonprofit Sector Project Survey.

Table 10

TOTAL GOVERNMENT SPENDING FOR SIX MAJOR SOCIAL WELFARE FIELDS, 1982

Community	Per Capita Spending
New York City	1,670
San Francisco, Cal.	1,633
Atlanta (Fulton County), Ga.	1,088
Chicago (Cook County), Ill.	1,076
Minneapolis (Hennepin County), Minn.	1,072
Pittsburgh (Allegheny County), Pa.	1,018
St. Paul (Ramsey County), Minn.	1,009
Rhode Island (Providence)	996
Jackson (Hinds County), Miss.	911
Caro (Tuscola County), Mich.	821
Flint (Genesee County), Mich.	797
Casa Grande (Pinal County), Ariz.	701
Boise (Ada County), Id.	595
Phoenix (Maricopa County), Ariz.	563
Vicksburg (Warren County), Miss.	562
Dallas (Dallas County), Tex.	506
Unweighted mean	$939
Weighted mean	$1,188

Source: Data compiled and estimated by The Urban Institute Nonprofit Sector Project from federal, state, and local government sources.

Table 11

FEDERAL SHARE OF TOTAL GOVERNMENT SPENDING FOR SOCIAL WELFARE, 1982

Community	Federal Share
Jackson (Hinds County), Miss.	91%
Boise (Ada County), Id.	85
Vicksburg (Warren County), Miss.	84
Dallas (Dallas County), Tex.	78
Phoenix (Maricopa County), Ariz.	77
Pittsburgh (Allegheny County), Pa.	77
Atlanta (Fulton County),Ga.	77
Rhode Island (Providence)	73
Minneapolis (Hennepin County), Minn.	71
Flint (Genesee County), Mich.	70
Chicago (Cook County), Ill.	68
St. Paul (Ramsey County), Minn.	67
New York City	63
San Francisco, Cal.	62
Casa Grande (Pinal County), Ariz.	57
Caro (Tuscola County), Mich.	57
Unweighted mean	72%
Weighted mean	67%

Source: Data compiled and estimated by The Urban Institute Nonprofit Sector Project from federal, state, and local government sources.

Table 12

STATE AND LOCAL GOVERNMENT ADMINISTRATION OF SOCIAL WELFARE PROGRAMS, EXCLUSIVE OF MEDICARE 1982

Community	Percentage of Spending Administered by State and Local Government*
Caro (Tuscola County), Mich.	95%
Flint (Genesee County), Mich.	92
St. Paul (Ramsey County), Minn.	91
New York City	87
Chicago (Cook County), Ill.	86
Rhode Island (Providence)	83
Pittsburgh (Allegheny County), Pa.	80
Atlanta (Fulton County), Ga.	80
Casa Grande (Pinal County), Ariz.	80
Minneapolis (Hennepin County), Minn.	79
San Francisco, Cal.	77
Vicksburg (Warren County), Miss.	75
Phoenix (Maricopa County), Ariz.	74
Dallas (Dallas County), Tex.	72
Boise (Ada County), Id.	60
Jackson (Hinds County), Miss.	56
Unweighted mean	79%
Weighted mean	85%

Source: Data compiled and estimated by The Urban Institute Nonprofit Sector Project from federal, state, and local government sources.

*This figure excludes the large Medicare program which is federally funded and administered. The Medicare program is a health care financing program for the elderly that makes direct payments to hospitals, doctors, and other providers of health services.

Table 13

PROVIDERS OF GOVERNMENT FUNDED SOCIAL WELFARE SERVICES, 1982

Community	Percent of total spending delivered by Nonprofit	For-Profit	Government
Pittsburgh (Allegheny County), Pa.	50%	18%	32%
Chicago (Cook County), Ill.	48	18	35
New York City	43	18	39
Rhode Island (Providence)	40	22	38
San Francisco, Cal.	40	19	41
St. Paul (Ramsey County), Minn.	40	24	36
Minneapolis (Hennepin County), Minn.	38	21	42
Phoenix (Maricopa County), Ariz.	37	27	36
Vicksburg (Warren County), Miss.	34	27	37
Boise (Ada County), Id.	33	17	50
Flint (Genesee County), Mich.	28	31	41
Dallas (Dallas County), Tex.	27	24	49
Atlanta (Fulton County), Ga.	27	20	53
Jackson (Hinds County), Miss.	23	16	59
Casa Grande (Pinal County), Ariz.	16	18	66
Caro (Tuscola County), Mich.	12	18	71
Unweighted mean	34%	21%	45%
Weighted mean	42%	19%	39%

Source: Data compiled and estimated by The Urban Institute Sector Project from federal, state, and local government sources.

Table 14

CHANGE IN GOVERNMENT SPENDING AND SUPPORT OF NONPROFIT ORGANIZATIONS, 1982-1983

Community	Change in Government Spending Excluding Medicare & Income Assistance	Change in Government Support of Nonprofits Excluding Medicare
Boise (Ada County), Id	-7%	-12%
Pittsburgh (Allegheny County) Pa.	-11	-13
Chicago (Cook County), Ill.	-5	-9
Dallas (Dallas County), Tex.	-2	-5
Atlanta (Fulton County), Ga.	-6	-9
Flint (Genesee County), Ga.	+8	-5
Minneapolis (Hennepin County), Minn.	+2	+5
Jackson (Hinds County), Miss.	-6	-10
Phoenix (Maricopa County), Minn.	-1	-7
New York City	-2	-1
Casa Grande (Pinal County), Ariz.	+2	-4
St. Paul (Ramsey County), Minn.	+3	+7
Rhode Island (Providence)	-4	-3
San Francisco, Cal.	-4	-7
Caro (Tuscola County), Mich.	-3	+3
Vicksburgh (Warren County), Miss.	-6	-11
Unweighted mean	-3%	-5%
Weighted mean	-3%	-4%

Source: Data compiled and estimated by The Urban Institute Nonprofit Sector Project from federal, state, and local government sources.

NONPROFIT SECTOR PROJECT SPONSORS

Corporations or Corporate Foundations

Aetna Life & Casualty Foundation
Alcoa Foundation
American Telephone and Telegraph Company
Amoco Foundation, Inc.
The Atlanta Journal/The Atlanta Constitution
Atlantic Richfield Foundation
BankAmerica Foundation
Chemical Bank
Chevron, U.S.A., Inc.
The Coca-Cola Foundation
The Equitable Life Assurance Society of the United States
The First National Bank of Atlanta
Gannett Foundation
The General Electric Foundation
General Mills Foundation
H.J. Heinz Company Foundation
Honeywell Foundation
New York Telephone
PPG Industries Foundation
Shell Companies Foundation
United States Steel Foundation, Inc.
Wells Fargo Foundation

National Foundations and Organizations

The Carnegie Corporation
Ford Foundation
Independent Sector
The John D. and Catherine T. MacArthur Foundation
Richard King Mellon Foundation
Charles Stewart Mott Foundation
The Rockefeller Brothers Fund
The Rockefeller Foundation

Community or Regional Foundations

The Buhl Foundation
The Bush Foundation
The Chicago Community Trust
Howard Heinz Endowment
Metropolitan Atlanta Community Foundation
The Minneapolis Foundation
The New York Community Trust
The Pittsburgh Foundation
Prince Charitable Trusts
The Rhode Island Foundation
The Saint Paul Foundation
The San Francisco Foundation
The Joseph B. Whitehead Foundation

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THE NONPROFIT SECTOR PROJECT
THE URBAN INSTITUTE • WASHINGTON, DC

In June, 1982, The Urban Institute launched a major, multi-year project to examine the scope and operations of the private, nonprofit sector in the United States, and to assess the impact on nonprofit organizations and those they serve of recent changes in public policy. This project is directed by Dr. Lester M. Salamon and is supported by numerous corporations, community foundations, and national foundations. It involves work at the national level and in sixteen local areas throughout the country. The aim of this effort is to help nonprofit and philanthropic organizations cope with the major changes in public policy and economic circumstances under way in our nation, and to provide a solid factual basis for the decisions now being made about the appropriate roles of government, nonprofit organizations, and businesses in serving community needs.

In each community where this work is proceeding, two main kinds of research and reports are being produced. One involves analysis of federal, state, and local government spending on programs of concern to nonprofit organizations, and of the extent of government reliance on nonprofits to deliver human services. The other involves surveys of nonprofit agencies themselves, showing the sector's size, scope and character, sources of funds, and responses to government retrenchment.

Local research sites include:

- Atlanta
- Boise
- Chicago
- Dallas/Fort Worth
- Flint
- Jackson
- Minneapolis/St. Paul
- New York City
- Phoenix
- Pittsburgh
- Rhode Island
- San Francisco

In addition to its series of local reports, the project is producing a number of reports that place its findings in a national context. The following list presents all project publications to date as of January, 1986, and describes how to obtain publications. For further information on this project, contact: Clarke Maylone, The Urban Institute, 2100 M Street, N.W., Washington, D.C. 20037, 202/857-8620.

PROJECT PUBLICATIONS: JANUARY, 1986

A. National Publications

"Partners in Public Service: Toward a Theory of Government-Nonprofit Relations," by Lester M. Salamon, paper presented at the Annual Meeting of the Society for the Study of Social Problems, Washington, DC, (1985) ($4.00).

"New Federalism and the Nonprofit Sector," by James C. Musselwhite, Jr., paper presented at the Annual Meeting of the American Political Science Association, New Orleans, (1985) ($2.50).

"Social Welfare Policy and Privatization: Theory and Reality in Policymaking," by James C. Musselwhite, Jr. and Lester M. Salamon, in Mark S. Rosentraub (ed.), *Urban Policy Choices: Theory and Prescription in an Era of Uncertain Resources*, (New York: Praeger, forthcoming 1986); paper available from The Urban Institute ($2.50).

"Nonprofits and the Federal Budget: Deeper Cuts Ahead," by Lester M. Salamon and Alan J. Abramson, *Foundation News*, April, (1985) ($1.00).

Child-Serving Nonprofit Organizations in an Era of Government Retrenchment, by Madeleine H. Kimmich, Michael Gutowski, and Lester M. Salamon, (Washington, DC: The Urban Institute, 1985) ($7.75).

"The Invisible Partnership: Government and the Nonprofit Sector," by Lester M. Salamon, *Bell Atlantic Quarterly*, Autumn, 1984 ($1.00).

"Nonprofit Organizations: The Lost Opportunity," by Lester M. Salamon, in John Palmer and Isabel Sawhill, eds., *The Reagan Record* (Cambridge: Ballinger Publishing Company, 1984) ($12.95).

"Religious Congregations as Social Service Agencies: How Extensive Are They?," by Lester M. Salamon and Fred Teitelbaum, *Foundation News*, September/October, (1984) ($1.00).

"Nonprofits: The Results Are Coming In," by Lester M. Salamon, *Foundation News*, August, (1984) ($1.00).

"Voluntary Organizations and the Crisis of the Welfare State," by Lester M. Salamon, James C. Musselwhite, Jr., and Alan J. Abramson, *New England Journal of Human Services*, Winter, 1984, Volume IV. ($3.50).

"Families in Crisis: The Capacity of Private Nonprofit Agencies to Respond," testimony of Lester M. Salamon, U.S. Congress, Select Committee on Children, Youth and Families,, *Hearing*, 98th Congress, First Session (1983) ($3.00).

"The New Federalism, the Federal Budget, and the Nonprofit Sector," testimony of Lester M. Salamon, U.S. Congress, Joint Economic Committee, *Hearing* on "New Federalism: Its Impact on the Private, Nonprofit Sector," 98th Congress, First Session (1983) ($3.00).

"The Nonprofit Sector," by Lester M. Salamon and Alan J. Abramson, in John Palmer and Isabel Sawhill, eds., *The Reagan Experiment* (Washington, DC: The Urban Institute Press, 1982). ($12.95).

"The Impact of the 1981 Tax Act on Individual Charitable Giving," by Charles T. Clotfelter and Lester M. Salamon, *National Tax Journal*, (June, 1982) ($5.00).

The Federal Budget and the Nonprofit Sector, by Lester M. Salamon and Alan J.Abramson, (Washington, DC: The Urban Institute Press, 1982) ($11.50).

B. Local Research Site Reports

Government Spending and the Nonprofit Sector in Atlanta/Fulton County, by James C. Musselwhite, Jr., Winsome Hawkins, and Lester M. Salamon, (Washington, DC: The Urban Institute Press, 1985) ($12.95).

The Atlanta Nonprofit Sector in a Time of Government Retrenchment, by Paul C. Lippert, Michael Gutowski, and Lester M. Salamon (Washington, DC: The Urban Institute Press, 1984) ($12.95).

Government Spending and the Nonprofit Sector in Boise/Ada County, Idaho, by David A. Johnson and James C. Musselwhite, Jr., (Washington, DC: an Urban Institute Research Report, 1985) ($12.95).

The Chicago Nonprofit Sector in a Time of Government Retrenchment, by Kirsten A. Gronbjerg, Lester M. Salamon, and Michael Gutowski, (Washington, DC: The Urban Institute Press, 1985) ($12.95).

Government Spending and the Nonprofit Sector in Cook County/Chicago, by Kirsten A. Gronbjerg, James C.Musselwhite, Jr., and Lester M. Salamon, (Washington, DC: The Urban Institute Press, 1984) ($12.95).

The Dallas/Fort Worth Nonprofit Sector in a Time of Government Retrenchment, by Carol J. De Vita and Lester M. Salamon (Washington, DC: an Urban Institute Research Report, 1986) ($12.95).

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SECTION TWO - HOW ARE FOUNDATIONS FARING?

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FOUNDATION FORMATION, GROWTH AND TERMINATION: A REPORT ON THE CHARITABLE ATTITUDES OF THE WEALTHY AND A SURVEY OF FOUNDATIONS

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Prepared for
How Are Foundations Faring Panel
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I. INTRODUCTION

America's wealthy consider their charitable giving essential to the maintenance of society, and unequalled in any other country. Without them, they claim, the federal government would be too powerful, and even more bureaucratic. Their involvement in philanthropy increases as they age. Initially they have a vague sense of personal responsibility for their wealth, whether it has been inherited or acquired through entrepreneurial activity. Their commitment to exercising control over the disposition of their wealth often leads to a deepening role in the nonprofit sector, as well as the formation of foundations and other types of systematic philanthropy. Yet a closer look at available data on foundation formation in the last two decades suggests that private foundations may be on the decline in the United States.

Are foundations falling out of favor with the wealthy? What affects the choice of one charitable vehicle over another? The question of whether the foundation population is truly in decline led to the Foundation Formation, Growth and Termination Study, a multi-disciplinary project. The Program on Non-Profit Organizations at Yale University is conducting this study in cooperation with the Council on Foundations. A database has been developed on the regulatory, economic and social trends of foundation formation since the early 1950s. In addition, researchers surveyed existing foundations and interviewed more than 200 of the nation's wealthy and their advisors about their charitable attitudes. All findings will be presented in a book to be published by the Foundation Center.

The survey, administered to a stratified random sample of 1,000 private foundations around the country, provides a good working model of the typical foundation. Focusing on independent foundations rather than community or corporate foundations, the questionnaire asked for date of formation, assets, staff and board membership, and types of legal advice. The data, to be discussed later in the paper, provide a useful portrait of the philanthropic population.

A major part of the study has been to examine the influence of advisors on the charitable decisions of the wealthy. Advisors play a key role in this process. Attorneys, in particular, tend to present a wide range of legal charitable instruments, such as charitable lead and reminder trusts, pooled income funds, supporting organizations and community foundations. In interviews with over 100 attorneys, accountants, bank trust officers and other personal advisors to the wealthy, we have found that the establishment of a private foundation during the donor's lifetime is frequently considered the least desirable option by advisors. Most individuals who do create foundations often seek the advice of a lawyer only after they have already established their charitable goals. A chapter on advisors by Francie Ostrower, pre-doctorial fellow at Yale, presents material from the advisor interviews.

One way to understand the giving patterns of the wealthy is to compare the percentage of contributions made in a lifetime with giving at the time of death. Eugene Steuerle, economist for the U.S. Treasury Department, matched a sample of estate tax returns with income tax returns of decedents in the years prior to death. Steuerle found that top wealthholders give 20 times their annual lifetime giving in the form of bequests. They give almost exactly the same percentage of adjusted gross income to charity as do all itemizers. Level of wealth seems to have had little influence on lifetime giving patterns.

An analysis of how much of the economy private foundations occupy and a detailed analysis of the growth patterns of the largest foundations was undertaken by Ralph Nelson, economist at Queens College. Nelson traces the role of foundations in the economic sector over the last 20 years. A related look at the history of foundation formation was undertaken by Gabriel Rudney, senior research scientist at Yale. Though the first foundations were formed at the turn of the century, Rudney highlights the 1940s as the decade of the "popularization" of the foundation. At that time the wealthy were encouraged to establish foundations not only to accomplish their charitable purposes, but also to obtain substantial tax savings. Increasing regulations may have been one factor that led to a drop-off in foundation formation, along with falling income tax rates and a clouded public image of foundations.

In this presentation, we will hightlight the results of two major components of the study, the survey and personal interviews with the wealthy.

II. INTERVIEWS

THE CHARITABLE ATTITUDES OF WEALTHY INDIVIDUALS

We interviewed 131 wealthy individuals. All were at least millionaires, although precise holdings were difficult to ascertain and rarely volunteered. The wealthy people who did agree to speak with us tended to be already involved in charitable activities. We were only able to interview a few individuals who do not regularly give large sums of money to non-profit organizations.

Study participants were asked to describe the history of their charitable involvements and motives for giving. In addition, they were asked to characterize the philanthropic climate of the city or town in which they lived. Factors such as corporate giving programs, generous business and civic leaders in the town, and community foundations had a bearing on charitable decisions. Participants also explained why they chose to form a foundation, or why they rejected that route in favor of another charitable vehicle, and how taxes affected those decisions. The interviews uncovered a broad spectrum of philanthropists, from those who made individual gifts and had no interest in forming a foundation, to those whose foundations continued a family dynasty and defined their everyday lives. A number of young philanthropists who inherited fortunes had turned old traditions upside down in an effort to combine political beliefs with familial expectations. Many women in the study expressed determination to channel their giving toward women's funds, to take a more aggressive role in the foundations they directed, and to educate themselves on the legal aspects of charitable giving. Jewish philanthropy was often cited as a role model of generosity.

Each individual had a certain self-image which he or she conveyed. As an elderly second generation philanthropist of some repute noted,

> "If you could ask Howard Hughes why he started a foundation...or Mr. Getty why he gave the extra amount - if you could get an honest answer, which I think is doubtful, I think it would be very interesting. I do not think anybody who was organizing a foundation for, shall I say, ulterior motives, would be willing to tell you that."

Most study participants are concentrated in the largest American cities. However, the sample also includes those in medium and shall towns throughout the United States, as well as rural areas. Manufacturing was the major source of their wealth, followed by mining and drilling, computer and high technology industries and real estate. More then half of our informants are men, forty percent are women, and the others are married couples (whom we interviewed together, but counted as one entry). Almost 80 percent are currently married and have children. The number of participants that are middle aged is about equal to those who are over 60; about a quarter of the individuals in the sample are less than 40 years of age. We interviewed wealthy people of every generation. Approximately one-third are "self-made" individuals, or first generation millionaires. Over two-thirds had inherited their wealth (about 40 are second generation; thirty are third; and ten are fourth generation). This elite group is mostly white and Protestant, although more than 30 are Jewish.

The whole population is very well educated. Fewer than ten do not have degrees, over 30 have advanced credentials. Nearly half attended Ivy League universities, and most of the others went to private institutions of higher education.

GIVING AND VOLUNTEERING

Most of the wealthy people in this study have foundations in their families. Their charitable attitudes are multifaceted and interrelated. Personal involvement and satisfaction are important motivators for charitable giving. Ego satisfaction is another factor. A multi-millionaire told us:

> "I think it should be said that there is a certain amount of ego satisfaction in this. I cannot assess how important that is. But the fact that I am an officer of a lot of different things, -- there is no doubt that that contributes to my willingness to

> give a lot of time... And why do you do your duty? It is not only because you are such a public spirit. It is partly because that is the price you pay if you want to be a big shot."

This informant clearly comments on the prestige or status one gains from philanthropic work. Although these motives are widely recognized, most of our wealthy study participants did not offer them as among their own reasons for giving. An exception occurred in the Northeast, where the patriarch of a leading philanthropic family replied that his major motive for giving to charity is: "Vanity, vanity, vanity."

Many of the participants find it a pleasure to be involved in charitable activities. As a woman with inherited wealth living in the mid-Atlantic told us: "There is a part of me that really enjoys giving." Or, a man in San Francisco said: "Sure, there is a lot of need, but it is fun giving. It is exciting to give."

"Giving and volunteering is a wonderful tradition of this country," is a phrase we frequently heard during interviews. Giving to nonprofit organizations is integral to the American way, according to many who contrasted that with the taxation policies in European welfare states.

Informants used the words capitalism and democracy in concert with their comments about philanthropy, which they view are preferable to socialism and a welfare state. They praised the free-market system, which they claim fosters a giving environment. There is little recognition of the extent to which government contributions fund nonprofit organizations in the United States (Salamon 1985).

Generation of wealth, lifespan, and subculture all help determine one's ideology. We have not identified a common ideology other than the one described above. However, there were major themes. Charitable activity frequently corresponds to lifecycle. People tend to give more as they get older. A southern philanthropist explained:

> "I characterize people as going through, first an acquisitive period where they want more money...then they reach either a maturity or a recognition of their own mortality, and then, they become dispositive. Some people never do just up until the day they are put in the box."

Another pattern relates to age and generation of inherited wealth. One group of rich people in our study were strongly affected by having grown up during the 1960s. A young millionaire with inherited wealth noted:

> "I think my motives are almost purely political. I am a classic case of someone who came of age in the late 60s. The fact that I have a good deal of inherited wealth does not match my politics. But the fact is that I have it. That left me with a problem of what to do and it really was easy then to decide to try to use the money politically to somehow bring those two realities into a kind of congruence, so I could at least use the money in ways that matched my politics... I have this money, (it) is my responsibility."

This notion of personal responsibility for wealth was alluded to frequently. Whatever their age or ideology, however, most of those we interviewed think that they are capable of making better charitable decisions than others, particularly the government.

IV. CONTROL AND TAXES

As the member of a multi-generation wealthy family told us: "I would rather decide where that money goes, than have the government (do so)." This is the case for the vast majority of our informants. A young businesswoman in northern California who works in her father's large company stated bluntly: "We want control of where our money is going."

A conservative multi-millionaire businessman from Texas commented: "If you have got enough sense to make the money, you ought to have enough sense to give some direction as to what you are going to do with it."

There are at least three, if not four, major types of taxes that most wealthy people must pay, including: business, personal income, estate, and various kinds of taxes on charitable giving. Only ten rich people told us that tax considerations were not important to them, and perhaps another ten said they had only moderate influence. One businessman said:

> "Taxes are somewhere in every decision you make in business. The first thing you are always presented with are tax aspects. You cannot turn around without paying taxes. The government tries to tax you when you don't make profit... Fifty percent of the decision is tax... Tax wags the dog. The tail wags the dog... So we try to do it in a way that is totally tax deductible."

However, another perspective was also expressed by a small number of informants:

> "I give very seldom on the theory that it somehow is a tax saving. I do not understand how you save money by giving. I understand how you reduce the cost of giving because of tax considerations. We try to plan our giving to be consistent with tax goals... but as far as giving on the theory that it avoids taxes, it doesn't. Mostly, I use the tax laws to see if I can't accommodate that as a secondary goal."

Most of the millionaires we interviewed said that they give up to the maximum for which they can receive a deduction. According to one millionaire: "I try to maximize my philanthropy and minimize my taxes."

The following quote is characteristic of what we heard from most of our informants:

> "In very general terms I try to give away as much as I can to get a bigger deduction. But I don't do it for that purpose. I do it because I want to help something... The lawyer will tell me, essentially, what I can get a deduction for."

The very rich depend upon their advisors, especially attorneys, for tax advice and technical expertise about alternative types of charitable vehicles. As one wealthy woman told us, "They advised me on how much of my income I had better contribute to charity. Otherwise Uncle Sam was going to take it." Another funder complained about her attorney, saying: "My tax lawyer has seen it as his job to restrain the amount of money that I give. He saw me as giving the vast portions of my fortune away." She went on: "I am told what I can give that would be beneficial to me taxwise, then I always give more."

Advisors have a great deal of influence with regard to the types of charitable vehicles their clients ultimately choose, but none over the organizations to which the money is distributed. Attorneys like to present a wide range of charitable options such as various charitable trusts. Tax considerations lead wealthy individuals and their advisors to select different types of charitable vehicles. The very wealthiest individuals and families use almost every kind of legal instrument, but are less constrained by tax considerations than those with more limited amounts of money to give.

V. FAMILY TRADITION AND COMMUNITY

Family tradition was frequently cited as a motivation to give. Many of those we spoke with had inherited both their wealth and their attitudes toward philanthropy. "It goes back as many generations as I can remember." For these wealthy people, the family had a history of responding to the charitable needs of the community. As one individual told us:

> "This was a philosophy that I learned, as many of us do, from our families. My father particularly was involved in the community both from a tradition of donation and of service. I continued that. I think in a larger measure all of us have had that history... We have followed our parents and grandparents.

Several people mentioned that they had established a foundation in order to "train" their children in philanthropy, to teach them responsibility to a community. Often the family is particularly rooted in a town. For generations they have been the "aristocrats." Others spoke of a desire to solve serious social problems in the community where their fortunes had been made.

Some wealthy people used foundations to create or change family image and reputation. One of the study participants told us:

> "My family is known for its lack of philanthropic giving... And one of the things that we wanted to do was combat that--because there are really wonderful people in my family. Some of my relatives get in the headlines every once in a while...and there are all these other people in the family who are very individualized souls, as well, but they do not make the headlines. People characterize our whole family by these few. So we thought we wanted to be visible too, because there are a lot of people in my family who have large compassionate hearts, and this foundation reflects them a lot..."

This pattern may have been particularly reflective of the early American philanthropists, such as Carnegie and Rockefeller (Desruisseaux 1985; Kutz 1974; Nielson 1972; Wall 1970). They were certainly not motivated by tax considerations since the charitable tax deduction had not yet been instituted in the United States.

ECONOMIC AND PHILANTHROPIC CLIMATES

Those regions of the country with flourishing business enterprises have a plethora of charitable donations and involvement. California, for example, with a thriving computer industry, and oil rich Texas were leading states with relatively new foundations as well as active philanthropic communities. An informant in Dallas commented:

> "We are very fortunate. We happen to be in a period of time in which wealth is maturing and people are very generously supporting causes. The city has probably never raised as much money, philanthropically, as it is doing right now... There are millions and millions of dollars given to all manner of causes and programs in the city. There is a very generous spirit..."

This same person noted that the newly wealthy were only now "reaching a stage where they want to put something back in the community."

Washington, D.C. is peculiar in that as the nation's capital, it is not considered a local community. One informant from that city lamented:

> "We have found that Washington is number one, lacking in a commitment. There are people certainly who give tremendous amounts of money - but there is a lack of commitment in a lot of people who feel that they are just here temporarily, (yet) they spend their whole life here and they never go back home and even if they do it's really not their home. I think in many respects it is a good out, an excuse for not giving."

PEER PRESSURE AND ROLE MODELS

Quite often leading business figures or families in a community will set the tone for philanthropy. A famous example is in Minnesota, where a group of businessmen formed the "Five Percent Club" in the 1950s. They urged their colleagues to pledge at least five percent of their companies' profits to charitable contributions. One of the wealthy men we interviewed was straightforward about charitable motives. He said:

> "Very little of it, to me, is motivated by a genuine understanding and commitment to philanthropy. Most of it is motivated by harassment of a friend who is trying to solicit money, the status, or... to benefit them in their business."

Sometimes one very successful business leader acts as a philanthropic role model for others. For example, in Georgia the late Coca Cola magnate, Robert Woodruff, who was involved in the establishment of several foundations, was referred to in almost every interview conducted in that region. His obituary in the New York Times quotes an associate: "If you want to raise $1 million for a good cause and can get Woodruff to put up $10,000, that assures the other $990,000." (1985)

Once one or two wealthy individuals or families establish a foundation, others seem to follow. Foundations are never the sole philanthropic forces in communities, but they seem to play an integral role in the total charitable contributions of corporations, individuals, and United Way campaigns.

III. THE FOUNDATION SURVEY

The foundation survey results, weighted to reflect the universe of 11,865 private grantmaking (not corporate) foundations with $100,000 or more in assets in 1982, provide the first comprehensive portrait of foundations that includes those with less than $1 million in assets. Information about the donor and the donor's motivations in forming the foundation, as well as financial and formation data are covered.

The typical foundation that emerges from these data was formed in 1959 by a living donor with a small endowment of $100,000. In the years since they were formed, just over half of the foundations received gifts and 23 percent expect to receive gifts in the future. Since most of these foundations are small, it is no surprise that the first major gift received had a median value of $200,000 and a mean of $6.5 million. Such gifts were most likely to be given in the mid 1960's by the donor. The second major gift was on the average smaller ($129,500 median; $3.3 million mean), was received in 1971, and was less likely to be a lifetime donation. Smaller foundations were more likely to have received lifetime gifts, while larger ones were more likely to have received bequests.

More than half of future gifts will be bequests. While many foundations could not give dates or exact amounts, a total of $5.75 billion is expected. The median amount of the first of such gifts was $500,000, the mean $3.2 million.

The data tend to support the "acorn theory" of foundation growth. Most foundations started with a small initial gift and proceeded to grow by virtue of lifetime gifts, bequests, and appreciation of assets. Thirty percent of the foundations in the survey were started with less than $25,000. Over half of foundations that now have $100 million or more in assets were originally endowed with less than $1 million dollars. One-fourth were started with less than $25,000.

The decade of the 1950's was the period when most foundations covered by this study were created. Fewer foundations were created in the 1960's, the result of a decline in the formation rate of foundations with endowments of $149,000 or less. In the 1970's there were even fewer creations of these small foundations in our sample, but there was an increase in new foundations with endowments that were slightly larger, perhaps as a result of inflation or the advice of attorneys who in interviews said that they discouraged the formation of very small foundations.

Foundation assets were most often cash or cash equivalents, and publicly traded stock. For 19 percent of these foundations (1520), the assets when combined with those held by donor and family, represented a controlling interest in a company. The proportion formed with control stock increases with the size of the foundation to 42% of the 92 with $100 million or more in assets. Seven percent (843) received gifts of control stock after the foundation was created. Gifts of control stock were larger than others with a median of $600,000 and a mean of $5 million.

There were 1471 foundations that disposed of "excess business holdings" in order to comply with the 1969 Tax Reform Act. For most, (68% of those that knew), the assets of the foundation remained within 10% of the prior value. For 21%, the assets increased by more than 10% and for 12% they declined by more than 10%.

The typical foundation has 4 trustees. In just over one third of the foundations, the donor currently serves on the board and in almost two thirds, a member of the family serves on the board. Fewer donors serve on the boards of the larger foundations, only 7 of 51 foundations with $100 million or more in assets currently have a donor on the board.

About a quarter of these foundations employ staff. The median number of staff is 1 and the mean is 3, with a total of 8,670. This is consistent with earlier studies but suggests a larger total for the field than was previously estimated. The date for first employing staff was 1970 (median), a probable reaction to the Tax Reform Act of 1969.

Foundations in the sample were generally formed by white, protestant males over the age of 50. Almost two thirds of donors were married with children when the foundation was formed, though women donors were less likely to be married at that time. Donors who inherited their wealth make up only 27% of those covered in this study.

College degrees were held by most donors, though one third had a high school diploma or less. Donors of foundations formed in recent years are more likely to have graduate degrees than earlier donors.

As in the interviews, the survey reveals that manufacturing was the most prevalent source of wealth with 28 percent indicating that at least a portion of the wealth came from that source. Banking or finance came next with 18 percent, followed by real estate and wholesale or retail trade which each represented 16 percent.

The typical donor was actively engaged in philanthropy before creating the foundation, though one-third were not. The most frequent recipient of donor's giving outside of the foundation was education.

The highest ranking motivations for forming a foundation included the donor's personal philosophy, the systematic giving a foundation provides, a concern for the welfare of others and the donor's belief in social responsibility. Tax considerations ranked sixth among the twenty motivations, control of business assets ranked last.

The strongest motivation across all sizes of foundations was the donor's personal philosophy. It is an important part of an altruisim factor that includes a concern for the welfare of others, religious heritage, a belief in social responsibility and a concern for the welfare of others. The second prominent motivation was the use of the foundation as a systematic philanthropic vehicle. This motivation was strongest among the largest foundations. A related motivation, the flexibility of the foundation form, was ranked fifth in intensity, but it was more important for smaller than larger foundations.

Concern for the welfare of others was highly ranked among all foundations, but particularly among those with $10 million dollars and more in assets. It clusters with the other altruistic variables.

Tax motivations ranked sixth in intensity, but less than a quarter consider it a strong motivation, and 21 percent report that tax had no impact in the formation of the foundation. It clusters with other instrumental variables, control of business assets and flexibility of the foundation form.

Control of business assets ranked last in intensity. Ninety-three percent reported that it had no influence in the creation of the foundation. Foundations that reported any influence of this motivation tended to be those with $25 million or more in assets.

The diversity of the foundation community is evident in the survey data. As in the interviews, the motivations are many and have complex interrelations. Further analysis of these data will help us to understand these institutions better.

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A SURVEY OF PRIVATE FOUNDATIONS

by
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Prepared for
How are Foundations Faring Panel
March 14, 1986

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A SURVEY OF PRIVATE FOUNDATIONS

Background and Introduction

The Statistics of Income (SOI) Program is the largest statistical operation undertaken by the Internal Revenue Service (IRS) on a continuing basis. Using administrative records (i.e., tax returns filed with IRS), the SOI Program collects, analyzes, and publishes financial and economic data on a number of topics, including private foundations.

Traditionally, these data primarily have been used by the Treasury Department and Congress to analyze existing and proposed legislation. More recently, however, the private foundation SOI studies are being planned with heightened emphasis placed on developing a multipurpose data base which can be tailored to the needs of a broader spectrum of data users.

In order to evaluate financial trends, assess the implications of public policy, or make assumptions regarding the private foundation sector, a comprehensive information base is essential. The SOI data base endeavors to meet this critical research need. Because the SOI Program is one of the few major sources of extensive statistics on private foundations, it is important to keep communication lines open to suggestions from organizations engaged in economic research or financial analysis in the nonprofit area. Through this type of cooperative effort, a more efficient and responsive SOI data base of private foundations can be developed.

The results of an SOI study of private foundations having accounting periods beginning in 1982 are presented below. This statistical study is the first in an annual series which will eventually form a longitudinal data file for analysis. A discussion of IRS plans for the private foundation longitudinal study and other research considerations appears in the last section of this paper.

Discussion of 1982 Study Results

Private foundation giving to philanthropic organizations rose by $1.6 billion between 1979 and 1982 [1]. The $4.4 billion in contributions, gifts and grants (hereafter referred to as "grants") awarded by the 23,306 grantmaking private foundations represents an inflation-adjusted real increase of nearly 25 percent over grant payouts made in 1979, the last year for which statistics are available [2]. (See appended Table 1 for data on the various categories of private foundations.) These grants helped to support charitable programs and research in the areas of health, education, science, the arts, community development, social services and other causes deemed to serve the public good.

For 1982, it is estimated that there were 28,468 active private foundations, an overall growth of 1.7 percent over 1979. This total population includes both grantmaking and nongrantmaking foundations, as well as "operating" and "nonoperating" foundations.

In addition to making a small number of grants, 3,105 "operating" foundations actively conducted charitable programs and provided direct services as a means of carrying out their philanthropic mission. Operating foundations, as a condition of such status, are required to expend substantially all of their income directly for the active conduct of their exempt purposes. In contrast, "nonoperating" foundations carry out exempt (charitable) activities in an indirect manner by making grants to other organizations that carry out these activities.

Approximately 3,300, or 13 percent, of the 25,363 nonoperating foundations did not make any grants for 1982. However, the majority were small organizations, and about 75 percent of them set aside funds earmarked for future charitable projects, made program-related investments, or incurred qualifying expenses for charitable purposes which met or exceeded the required minimum distribution for 1982. It should also be noted that many nonoperating foundations which do not make grants were formerly classified by the Internal Revenue Service (IRS) as public charities. If an organization fails to meet IRS' requirements for retaining its public charity status, that organization is reclassified as a private foundation. Most often, these reclassified organizations continue to operate as public charities, conducting programs or providing direct services as opposed to making grants to accomplish a charitable purpose.

The Ford Foundation clearly maintained its position as the front-runner in terms of the size of asset holdings and amount of grants awarded [3]. While Ford remained well ahead of all other foundations, some foundations had assets in, or near, the billion-dollar range. Excluding the J. Paul Getty Museum Trust, which is classified as an operating foundation and for 1982 had nearly $2 billion in assets, Figure A lists foundations which reported fair market value of assets above $500 million. Also provided in Figure A are data on ledger assets, grants paid, and the 5-year carryover of distributions made in excess of the amount required. These 11 largest organizations held 19.2 percent of all assets owned by private foundations, and were responsible for 8.6 percent of the dollar value of all grants paid.

Figure A

Private Foundations with Fair Market Value (FMV) Assets Over $500 Million, 1982 (Millions of Dollars)

Rank	Name	FMV Assets	Ledger Assets	Grants Paid	Excess Distributions Carryover
1	Ford Foundation	3.529.2	3.529.2	103.9	8.0
2	Robert Wood Johnson Foundation	1,310.6	508.9	7.5	21.5
3	Andrew W. Mellon Foundation	1,089.7	774.2	59.3	3.9
4	Rockefeller Foundation	1,006.2	809.2	28.5	5.1
5	The MacArthur Foundation	990.3	707.5	22.3	—
6	Pew Memorial Trust	854.9	329.7	57.5	—
7	Fundacao Calouste Gulbenkian	847.9	211.2	27.0	—
8	Lilly Endowment	705.3	138.1	42.5	10.7
9	Kresge Foundation	681.5	519.2	8.9	3.1
10	The Hewlett Foundation	531.5	531.5	12.4	1.0
11	Carnegie Corporation of N.Y.	511.3	416.7	13.4	—

The four foundations listed which show no excess distributions carryover did not distribute the minimum amount required for 1982 because they first had to apply a portion of their 1982 distributions against amounts remaining undistributed from 1981. Foundations have until the end of their next tax year to distribute the minimum amount required for the current year before they are liable for the excise tax levied on undistributed income. This 1-year grace period provides foundations with the opportunity to plan systematically their grantmaking activity to correspond with their investment performance.

To measure private foundation philanthropic giving, the contributions reported by foundations on returns filed with the Internal Revenue Service (IRS) for 1982 were compared to those reported to IRS by all other private sources [4]. Foundations accounted for approximately one dollar out of every ten contributed from a private donor.

Figure B.--Charitable Contributions Reported to IRS by Private Donors, 1982

Type of Donor	Contributions ($ Billions)	Percent of Total
Total....................	45.11	100.0%
Individuals [5]..............	34.05	75.5
Foundations [6]..............	4.43	9.8
Corporations [7].............	2.91	6.5
Bequests [8].................	2.25	5.0
Trusts & Estates [9].........	1.42	3.1

NOTE: Detail may not add to total due to rounding.

If administrative and direct operating expenses incurred in the conduct of foundations' charitable purposes are added to the amount of the contributions they paid out, the resulting total charitable expenditures of all foundations for 1982 were $5.2 billion. Compared to the Gross National Product (GNP) for 1982, private foundation charitable expenditures were less than 0.2 percent of GNP. However, the nature of systematic foundation funding provides an opportunity for initiating innovative research, programs, and test projects which the Government cannot undertake because of political, legislative, or budgetary constraints. In the wake of recent budget cuts in many Government-supported programs, some foundations are thinking more about public-private partnerships. Although they do not believe their role should be solely one of filling Federal philanthropic spending gaps, these foundations foresee situations where the formation of creative public-private partnerships to devise new approaches to social needs can produce positive results [10].

Composition of Foundation Income and Assets

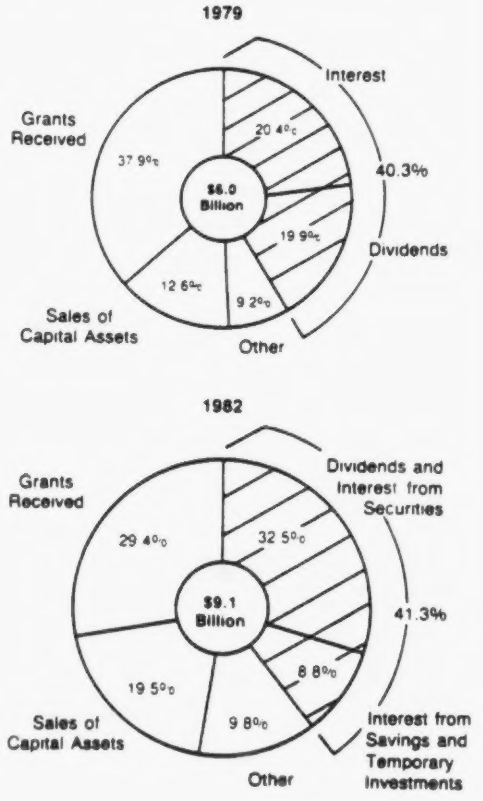
The $47.2 billion in market value assets of the 820 largest private foundations, those with asset holdings of $10 million or more, comprised 75 percent of all assets held by foundations for 1982. In contrast, 84 percent of the foundation population, holding assets worth less than $1 million, accounted for only 6 percent of the total, or $3.7 billion. Assets of all foundations rose by 41 percent between 1979 and 1982. Total receipts increased by 52 percent, while deductions rose by 65 percent. The resulting net income (less deficit) for 1982 was $3.3 billion, a growth of 33 percent from 1979 [11].

Dividend and interest income was the largest source of foundation receipts for 1982. While these items together also ranked as the number-one income source for the large foundations, contributions dominated as the leading income source for organizations with assets under $1 million. The primary source of receipts for foundations with assets of $1 million to $10 million was nearly equally split between interest and dividend income and contributions. The reliance upon contributions from outside sources as a major form of support is more common for small organizations. Most large foundations have received a single substantial bequest or endowment which serves as their primary base from which to produce income and further increase their assets. These endowed foundations rely on their investments to produce income and, therefore, do not need to depend heavily on the receipt of contributions.

The most significant shift in the composition of total income, shown in Figure C, between 1979 and 1982 occurred in sales of capital assets and in contributions, gifts and grants received. The increase in sales of capital assets possibly indicates that foundations are beginning to restructure their investment portfolios, a newfound freedom made available by a 1981 tax law change which eliminated the requirement for foundations to pay out all of their investment income for charitable purposes. (The effect of the law change is explained more fully at the end of this section.)

Because of a 1981 IRS return form change in the method of reporting dividends and interest, these income items individually cannot be compared between 1979 and 1982. For 1982, total interest was reported separately either as amounts received from securities investments (which also included dividends received from stocks) or amounts received from savings accounts and temporary cash investments, such as certificates of deposit, money market funds, and U.S. Treasury bills that mature in less than one year. Taken as an aggregate amount, however, the proportion of total receipts attributable to dividend and interest income for 1982

Figure D
Major Sources of Income, 1979 and 1982



remained virtually unchanged from 1979. Despite market fluctations in interest rates and dividends paid on investments, the dollar amount of foundation dividend and interest income rose by $1.4 billion between 1979 and 1982.

For 1982, foundations held a total investment in stocks and bonds having a fair market value of $49.8 billion. These investments earned dividends and interest totalling $3.0 billion, a yield of 6.0 percent. It has been argued by some that foundations fail to obtain a reasonable rate of return on their stock and bond investments [12]. To test this argument, a base for comparison was constructed for 1982 using measures of average yield for composite investments: 1982 dividend yields on common stocks of the 500 corporations included in the Standard and Poor's composite average and the 1982 yield for the composite U.S. Treasury long-term bond average [13]. Had foundations invested in these composite assets in the same proportions as they invested in stocks and bonds in 1979 (stocks and bonds together were reported as a single amount on the 1982 information return), they would have enjoyed a significantly higher return of 8.5 percent. However, it was only beginning in 1982 that foundations could restructure their portfolios to take advantage of the 1981 law change in the payout rule.

As illustrated below in Figure D, an examination of yield data for various fair market value asset distributions revealed that as asset size increased the yield on security investments decreased, from a high of 8.9 percent earned by foundations holding assets worth less than $100,000 to a low of 5.3 percent earned by those holding assets worth $50 million or more.

Figure D.--Interest and Dividend Yields on Security Investments, 1982

Market Value Asset Size	Investments in Securities ($ Millions)	Interest and Dividend Income From Securities ($ Millions)	Percent Yield
Total..................	49,822.6	2,970.2	6.0%
Under $100,000[1]...........	176.9	15.7	8.9
$100,000 under $1,000,000..	1,975.8	174.1	8.0
$1,000,000 under $10,000,000.............	8,080.0	566.8	7.8
$10,000,000 under $50,000,000.............	10,017.1	646.1	6.5
$50,000,000 or more........	29,572.8	1,567.5	5.3

[1] Includes returns with assets zero or unreported.

This may support the theory that the investment strategies of larger foundations (traditionally more heavily invested in securities than smaller foundations) were significantly affected by a pre-1982 payout rule which required foundations to distribute for charitable purposes the greater of their current investment income or 5 percent of their investment assets (both amounts subject to further adjustments).

Because of the decline in the real value of foundation securities caused by high inflation rates and the requirement to pay out their current investment income (if greater than 5 percent of investment assets), many foundations opted for a "total return" philosophy on stocks and bonds which takes into account not only dividends, but also appreciation. These foundations were inclined to hold greater concentrations of securities which had lower income yields but the potential for higher appreciation values.

Under the new payout rule, enacted in late 1981, foundations no longer are required to make distributions out of current income in excess of 5 percent of their investment assets. The new law offers foundations an opportunity to restructure their investment portfolios to include securities which produce higher rates of return. In so doing, yields in excess of 5 percent could be put back into their endowments. While the percent yield on securities held by larger foundations remains comparatively low for 1982, the increase in sales of capital assets mentioned above tends to suggest a changing trend in foundation investment practices.

Assets in terms of book value rose at nearly the same rate as market value assets, by 39 percent from 1979 to 1982. Since 1981 was the first year for which foundations were required to report their asset components at market value on the Form 990-PF return, comparisons of 1982 data to earlier years must be presented using amounts reported on the foundations' books. Also effective with 1981, the reporting of securities on the information return was not required to be separated into stocks, bonds, and Government obligations as in previous years. Comparison is therefore limited to the aggregate amount of securities as reported for 1982. Securities, long the most prominent type of assets in the portfolios of foundations, continued an upward trend, increasing by 89 percent since 1974 [14]. For all 3 years presented in Figure E on the following page, holdings of securities in terms of their proportion to total assets remained constant at 78 percent.

The large increase in total cash held by foundations in general is attributable to savings and temporary cash investments, which rose by 190 percent between 1979 and 1982. For foundations with assets of $10 million or more, the increase was 338 percent. Even though a downward trend in interest rates began in mid-1982, the average annual prime rate was still significantly higher for 1982 than it was for 1979, 14.86 percent compared to 12.67 percent. Still riding on the thrust of interest rates which had reached an all-time high during 1981, foundations evidently continued to funnel more income into short-term investments for 1982.

Figure E.--Comparison of Book Value Asset Items, 1974, 1979, and 1982

Type of Asset	Income Year 1974 ($Billions)[1]	Income Year 1979 ($Billions)[1]	Income Year 1982 ($Billions)[1]	Percent Change, 1979 to 1982
Total	25.5	34.7	48.2	39%
Securities[2]	19.9	26.9	37.4	39
Cash, total	1.2	2.0	4.6	131
Savings and interest-bearing accounts	0.8	1.4	4.2	190
Non-interest-bearing accounts	0.4	0.6	0.5	-15
Depreciable assets and land held for charitable purposes	0.3	0.6	1.1	77
Accounts and notes receivable	1.0	0.8	0.9	22
Other	3.1	4.3	4.1	-5

[1] Assets used were the book value reported.

[2] Includes corporate stocks, corporate bonds, and Government obligations.

Charitable Distributions

The following discussion of foundation charitable distributions excludes operating foundations. Because they disburse their funds for the active conduct of charitable projects, operating foundations are not subject to the distribution requirement. All references to foundations in this section on charitable distributions are for nonoperating foundations.

Private foundations are required to distribute annually a minimum amount for charitable purposes. This computed minimum amount is based on 5 percent of a monthly average of their investment assets after allowances are deducted for indebtedness incurred in acquiring the assets and any cash reserved for charitable activities. The result of the computation is called the "minimum investment return." Foundations are then allowed additional adjustments to the minimum investment return, including deductions for the excise tax on net investment income and taxes on any "unrelated business income." The adjusted minimum investment return, called the "distributable amount," is the actual amount foundations must distribute for charitable purposes during their annual accounting period. A foundation is subject to a two-tier system of penalty taxes for any portion of the distributable amount which it fails to pay out for charitable causes by the end of its next accounting period.

Amounts which qualify toward meeting the minimum required distribution include foundation expenditures for accomplishing its charitable purpose; program-related investments; amounts paid to acquire assets directly used, or held for use, in carrying out its charitable function; and any amounts set aside for future payment for a specific charitable project. These amounts are called "qualifying distributions." Foundations may also utilize carryovers (amounts paid out in excess of the amount required) from 5 previous years' grantmaking to meet the minimum payout requirement.

As discussed earlier, the distributable amount prior to 1981 was defined as the greater of "adjusted net income" (current income derived from the ownership of property or from income-producing activities, whether charitable or not, less allowable expenses) or the minimum investment return. With the enactment of the Economic Recovery Tax Act of 1981, Congress changed the definition to limit the computation of the distributable amount to the minimum investment return without regard to the adjusted net income. The change was intended to provide relief to foundations during a period of high inflation (1981 saw the height of inflation rates) [15]. High inflation rates tended to decrease the real value of a foundation's net income. If the distributable amount was based on the entire amount of a foundation's adjusted net income (the real portion plus the inflation-produced portion), the gradual effect would be an erosion of the real value of its investment assets [16].

The data presented in Figure F show the effect of the 1981 tax law change on the amount foundations were required to expend for charitable purposes for 1982. Under the pre-1982 rules, foundations would have been required to pay out $4 billion, $1.6 billion more than was required for 1982. Private nonoperating foundations for 1982 made qualifying distributions of $4.9 billion, over twice the amount required to be distributed. The effect of the

Figure F.--Nonoperating Foundations: Comparison of Adjusted Net Income (ANI) with Minimum Investment Return (MIR), by Size of Total Fair Market Value of Assets

Item	Total	Size of Total Fair Market Value of Assets			
		Under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(Money Amounts in $Millions)				
Number of returns, total..	25,363	12,690	8,577	3,346	750
Number of returns with ANI greater than MIR.....	17,970	7,007	7,314	2,995	654
Greater of ANI or MIR......	4,097.1	41.1	256.8	827.5	2,971.7
MIR	2,458.3	21.4	138.2	466.5	1,832.3
Difference................	1,638.8	19.7	118.6	361.0	1,139.5
Difference as percent of MIR..................	66.7	92.1	85.8	77.4	62.2

NOTE: Detail may not add to total because of rounding.

revised distribution calculation is further demonstrated by a comparison of the distributable amount for 1979 to that for 1982, in constant 1979 dollars, which shows a 23-percent real decline between the two years. Although nonoperating foundations collectively made qualifying distributions for 1982 that exceeded the distributable amount required under both the existing and previous laws, organizations with $10 million or more in assets as a group distributed $126.8 million less than the amount that would have been required if adjusted net income had still been a factor in determining the distributable amount. This would be expected since the law change, limiting the required payout to 5 percent of investment assets, was intended to help most those foundations which relied more heavily on investments as a principal source of income.

Data Sources and Limitations

The statistics in this paper are based on a sample of 1982 Income Year private foundation returns, Forms 990-PF, filed with the Internal Revenue Service and having accounting periods ending December 1982 through November 1983. Forms 990-PF filed by nonexempt charitable trusts and certain taxable foundations were excluded from the study. The sample was stratified based on size of total book (ledger) value of assets and selected at rates that ranged from 0.7 percent to 100 percent. There were 1,309 returns in the sample drawn from an estimated population of 28,468.

The 1982 sample was designed to provide the most reliable estimates of total assets and total income using limited resources. (Budgetary constraints necessitated a very small sample size.) The methodology employed to obtain the desired results was to include in the sample all returns with assets (book ue) of $10 million or more, the category where the highest concentration of ets exists. The 634 returns in this group accounted for approximately 70 percent of total assets and 50 percent of the sample. The remaining 675 returns in the sample were randomly selected at various rates, depending on their asset size. Due to the small number of sample returns selected to represent the population of returns with assets worth under $100,000 (99 sample returns), the statistics presented for this group are subject to significant sampling variability and should, therefore, be used with caution.

The population from which the sample was drawn consisted of the latest private foundation records on the IRS Business Master File. Determinations of active filing status were made regarding the sample records. Some of the records drawn were deemed inactive (no return had been filed for at least 3 years), terminated, or not yet filed for 1982. Inactive and terminated private foundations were not reflected in the estimates. Prior-year returns were substituted for the small number of large private foundations for which a 1982 return had not yet been filed or was unobtainable for inclusion in the study. Sample weights applied to small organizations were revised upward to compensate for missing returns. Asset distributions pre- sented in the attached table have been compressed due to the small number of returns with assets less than $10 million selected for the sample.

Future Research Considerations

The annual cross-sectional private foundation studies, beginning with Tax Year 1982, over time will form a longitudinal data base. The longitudinal file will contain all of the returns selected for the 1982 study and will allow for the addition of returns as a result of a "birth" or a growth into the 100-percent sample strata. Organizations which grow into a higher sample strata, other than the 100-percent strata, in subsequent years will be subjected to sampling and, if selected, added to the longitudinal file.

Longitudinal observations allow the researcher to monitor and analyze the impact of tax law changes and economic shifts, or to uncover abnormal data relationships for investigation. Some questions which can be answered using private foundation longitudinal data include:

- Has specific tax legislation affected private foundations adversely? Advantageously? Has it affected small organizations more than large ones, or vice versa?

- Are restrictions and regulations causing a lower birth rate? A higher termination rate? Is the effect the same for all asset sizes?

- Is foundation giving going up? Down? Does it vary by size of organization? Do foundation giving patterns correlate with shifts in the economy? With changes of another nature?

If increased funding becomes available, the Statistics of Income (SOI) Division will explore an effort to use a modification of a classification system developed by the National Center for Charitable Statistics to devise a scheme for coding the activity of grant recipients, as reported on the private foundation returns in the SOI sample. Activity coding grant recipients would provide data on the type of programs to which foundation support principally is given. This information usually is not available in an aggregate form.

Future processing innovations are expected to produce better quality statistics at a lower cost. More sophisticated techniques of checking and correcting data at the point of key input to the computer file will be tested and then implemented. Private foundation data from IRS' Business Master File will be linked with SOI data prior to consistency checking, considerably reducing the cost of manually editing items from the return.

NOTES

[1] Data cited for 1979 are from Petska, 1982, pp. 9-29.

[2] All inflation-adjusted figures cited in this paper have been derived using the Gross National Product Implicit Price Deflator. See U.S. Department of Commerce, 1974, 1979, and 1982.

[3] Under Internal Revenue Code section 6104(b), the Internal Revenue Service can disclose to the public the information which is required to be reported on private foundation information returns.

[4] The contribution data presented for individuals, corporations, bequests, trusts and estates were obtained from income tax returns and are subject to certain limitations inherent in the use of administrative records. The use of these data is intended here as a general measure for comparison with foundation charitable giving, and may not necessarily represent contributions actually paid or received in a given tax period. Factors which can affect the amount of contributions reported on certain tax returns are a limitation on the amount which can be deducted, allowance of a carryover of disallowed contributions from previous years and, in the case of fiduciary returns (trusts and estates), an election to treat contributions made in one taxable year as being paid in the preceding taxable year. The charitable bequest data were obtained from a study of estate tax returns filed with gross estate of $300,000 or more. Had the bequests of persons with estates less than $300,000 been included, it is estimated that the amount shown would have been approximately 10 percent higher.

[5] U.S. Department of the Treasury, 1984a, pp. 54 and 61.

[6] Includes company-sponsored foundations which filed a Form 990-PF, Return of Private Foundation, for 1982.

[7] U.S. Department of the Treasury, 1985, p. 8.

[8] U.S. Department of the Treasury, 1983.

[9] Estep, 1985, pp. 49 and 56.

[10] See Joseph, 1985, pp. 24-36. (President's platform presented at the 36th annual Conference of the Council on Foundations held on April 24-26, 1985.)

[11] For readers who are familiar with the terminology used on Form 990-PF, Return of Private Foundation, the following clarification of income statement terms used in this paper and related tables is provided. Total "receipts" is comparable to total "revenue" (Part I, line 13, column A);

total "deductions" is comparable to total "expenses" (Part I, line 24, column A); and "net income (less deficit)" is comparable to "excess of revenue over expenses" (Part I, line 25(a), column A).

[12] The Commission on Foundations and Private Philanthropy, 1970.

[13] The Board of Governors of the Federal Reserve System, 1985, Table 1.35.

[14] Data cited for 1974 are from U.S. Department of the Treasury, 1981.

[15] U.S. Congress, 1981, pp. 366-367.

[16] For detailed discussions of the effect on foundations of the pre-1981 requirement to distribute their actual income if it was higher than their minimum investment return, see Steuerle, 1977, pp. 1663-78, and Williamson, 1981, pp. 18-24.

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APPENDIX

Table 1. — Number of Foundations, Total Receipts and Total Deductions, Net Investment Income and Tax, Total Assets, Net Worth, and Distributions, by Type of Foundation and Size of Total Fair Market Value of Assets

[Money amounts are in thousands of dollars]

Size of total fair market value of assets	Number of returns	Total receipts		Total deductions		Disbursements for exempt purposes		Qualifying contributions gifts and grants paid		Net income (less deficit)	
		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
All foundations, total	**28,468**	**27,603**	**9,126,529**	**27,645**	**5,834,328**	**26,410**	**5,156,993**	**23,306**	**4,429,979**	**27,108**	**3,292,200**
Zero, negative or unreported	1,515	1,368	6,906	1,515	6,721	*1,073	*6,280	*884	*5,621	*1,073	*186
$1 under $100,000	13,237	12,606	264,945	12,500	458,142	11,869	444,940	9,659	408,020	12,500	-193,198
$100,000 under $1,000,000	9,125	9,040	662,390	9,040	524,324	8,914	483,780	8,577	455,477	8,956	138,065
$1,000,000 under $10,000,000	3,771	3,771	2,097,182	3,771	1,515,561	3,741	1,431,404	3,419	1,142,658	3,761	581,621
$10,000,000 under $25,000,000	493	492	1,010,618	492	746,510	490	664,048	462	585,549	491	264,108
$25,000,000 under $50,000,000	162	161	767,421	161	473,535	159	408,261	50	339,597	161	293,886
$50,000,000 under $100,000,000	85	85	1,165,244	85	527,937	84	474,789	78	413,269	85	637,306
$100,000,000 or more	80	80	3,151,824	80	1,581,598	80	1,245,491	77	1,081,789	80	1,570,226
Nonoperating foundations, total	**25,363**	**24,540**	**8,077,449**	**24,582**	**5,260,767**	**23,599**	**4,670,649**	**22,044**	**4,364,340**	**24,192**	**2,816,681**
Zero, negative or unreported	1,515	1,368	6,906	1,515	6,721	*1,073	*6,280	*884	*5,621	*1,073	*186
$1 under $100,000	11,175	10,543	235,993	10,438	425,797	9,954	414,887	8,923	401,734	10,585	-189,805
$100,000 under $1,000,000	8,577	8,535	631,152	8,535	490,555	8,493	456,935	8,198	447,407	8,451	140,598
$1,000,000 under $10,000,000	3,348	3,348	1,695,040	3,348	1,228,612	3,338	1,174,197	3,305	1,118,157	3,338	466,428
$10,000,000 under $25,000,000	459	458	915,955	458	693,288	458	619,981	449	572,680	457	222,668
$25,000,000 under $50,000,000	143	142	677,744	142	423,874	140	362,808	139	337,308	142	253,870
$50,000,000 under $100,000,000	75	75	1,055,625	75	487,175	74	446,331	74	410,608	75	568,450
$100,000,000 or more	73	73	2,859,034	73	1,504,744	73	1,189,250	73	1,070,828	73	1,354,290
Operating foundations, total	**3,105**	**3,063**	**1,049,080**	**3,063**	**573,561**	**2,811**	**486,344**	**1,262**	**65,639**	**2,916**	**475,519**
Zero, negative or unreported	—	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	2,062	2,062	28,952	2,062	32,345	1,915	30,053	*737	*4,288	1,915	-3,393
$100,000 under $1,000,000	547	505	31,238	505	33,769	421	26,845	*379	*8,089	505	-2,531
$1,000,000 under $10,000,000	425	425	402,141	425	286,949	405	257,207	114	24,501	425	115,193
$10,000,000 under $25,000,000	34	34	94,662	34	53,222	34	44,088	13	12,889	34	41,440
$25,000,000 under $50,000,000	19	19	89,677	19	49,660	19	43,453	11	2,291	19	40,017
$50,000,000 under $100,000,000	10	10	109,619	10	40,762	10	28,458	4	2,661	10	66,857
$100,000,000 or more	7	7	292,791	7	76,854	7	56,240	4	10,982	7	215,937
Grantmaking foundations, total	**23,306**	**23,159**	**8,441,654**	**23,306**	**5,398,386**	**23,306**	**4,825,580**	**23,306**	**4,429,979**	**23,063**	**3,043,267**
Zero, negative or unreported	*884	*884	*5,064	*884	*5,901	*884	*5,900	*884	*5,621	*737	*-837
$1 under $100,000	9,659	9,512	220,764	9,659	413,997	9,659	409,738	9,659	408,020	9,659	-193,233
$100,000 under $1,000,000	8,577	8,577	632,560	8,577	511,847	8,577	479,618	8,577	455,477	8,493	120,712
$1,000,000 under $10,000,000	3,419	3,419	1,764,536	3,419	1,269,654	3,419	1,215,777	3,419	1,142,658	3,409	494,882
$10,000,000 under $25,000,000	462	462	937,335	462	698,857	462	631,492	462	585,549	461	238,478
$25,000,000 under $50,000,000	150	150	702,732	150	443,303	150	385,641	150	339,597	150	259,429
$50,000,000 under $100,000,000	78	78	1,116,349	78	499,798	78	461,038	78	413,269	78	616,551
$100,000,000 or more	77	77	3,062,314	77	1,555,030	77	1,236,380	77	1,081,789	77	1,507,284
Grantmaking-nonoperating foundations, total	**22,044**	**21,897**	**7,982,283**	**22,044**	**5,197,952**	**22,044**	**4,640,110**	**22,044**	**4,364,340**	**21,802**	**2,784,329**
Zero, negative or unreported	*884	*884	*5,064	*884	*5,901	*884	*5,900	*884	*5,621	*737	*-837
$1 under $100,000	8,923	8,775	216,694	8,923	409,157	8,923	405,415	8,923	401,734	8,923	-192,463
$100,000 under $1,000,000	8,198	8,198	607,200	8,198	485,278	8,198	454,917	8,198	447,407	8,114	121,922
$1,000,000 under $10,000,000	3,305	3,305	1,686,370	3,305	1,220,808	3,305	1,168,107	3,305	1,118,157	3,294	465,585
$10,000,000 under $25,000,000	449	449	894,052	449	672,619	449	608,343	449	572,680	448	221,433
$25,000,000 under $50,000,000	139	139	670,383	139	416,495	139	361,847	139	337,308	139	253,889
$50,000,000 under $100,000,000	74	74	1,043,484	74	482,954	74	446,331	74	410,608	74	580,531
$100,000,000 or more	73	73	2,859,034	73	1,504,744	73	1,189,250	73	1,070,828	73	1,354,290
Nongrantmaking-nonoperating foundations, total	**3,318**	**2,643**	**95,167**	**2,538**	**62,815**	**1,554**	**30,540**	**—**	**—**	**2,390**	**32,352**
Zero, negative or unreported	*631	*484	*1,842	*631	*821	*189	*380	—	—	*337	*1,022
$1 under $100,000	2,252	1,768	19,299	1,515	16,641	*1,031	*9,472	—	—	1,683	2,656
$100,000 under $1,000,000	*379	*337	*23,951	*337	*5,277	*295	*2,018	—	—	*337	*18,674
$1,000,000 under $10,000,000	*41	*41	*8,670	*41	*7,807	*31	*6,090	—	—	*41	*863
$10,000,000 under $25,000,000	10	9	21,903	9	20,668	7	11,618	—	—	9	1,234
$25,000,000 under $50,000,000	4	3	7,361	3	7,380	1	961	—	—	3	-19
$50,000,000 under $100,000,000	1	1	12,141	1	4,222	—	—	—	—	1	7,919
$100,000,000 or more	—	—	—	—	—	—	—	—	—	—	—

Footnotes at end of table

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Table 1. — Number of Foundations, Total Receipts and Total Deductions, Net Investment Income and Tax, Total Assets, Net Worth, and Distributions, by Type of Foundation and Size of Total Fair Market Value of Assets — Continued

[Money amounts are in thousands of dollars]

Size of total fair market value of assets	Net income		Net investment income		Net capital gain		Excise tax on net investment income				
							Total amount	Domestic organizations		Foreign organizations	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount		Number of returns	Amount	Number of returns	Amount
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
All foundations, total	**16,044**	**4,274,832**	**23,442**	**5,590,700**	**5,513**	**1,754,665**	**111,440**	**23,385**	**110,651**	**54**	**789**
Zero, negative or unreported	*484	*1,048	*189	*433	—	—	*9	*189	*9	—	—
$1 under $100,000	6,376	41,734	9,954	44,233	*737	*1,885	881	9,954	881	—	—
$100,000 under $1,000,000	6,041	246,205	8,788	308,285	2,210	65,742	6,187	8,746	6,141	*42	*45
$1,000,000 under $10,000,000	2,547	775,798	3,699	1,095,371	2,021	244,538	21,907	3,699	21,907	—	—
$10,000,000 under $25,000,000	341	373,646	488	657,514	323	171,373	13,187	482	13,147	5	40
$25,000,000 under $50,000,000	123	366,377	160	544,544	102	141,992	10,876	155	10,787	4	89
$50,000,000 under $100,000,000	71	674,890	84	578,577	58	202,586	11,628	82	11,515	2	112
$100,000,000 or more	61	1,795,134	80	2,361,743	62	926,549	46,767	78	46,265	1	502
Nonoperating foundations, total	**14,714**	**3,773,644**	**21,496**	**5,090,322**	**4,827**	**1,561,047**	**102,138**	**21,440**	**101,349**	**54**	**789**
Zero, negative or unreported	*484	*1,048	*189	*433	—	—	*9	*189	*9	—	—
$1 under $100,000	5,640	37,928	8,923	39,394	*442	*98	786	8,923	786	—	—
$100,000 under $1,000,000	5,788	242,921	8,325	296,574	2,084	63,278	5,953	8,283	5,907	*42	*45
$1,000,000 under $10,000,000	2,266	655,270	3,315	1,002,737	1,803	217,863	20,054	3,315	20,054	—	—
$10,000,000 under $25,000,000	308	331,917	455	619,800	302	163,075	12,416	450	12,376	5	40
$25,000,000 under $50,000,000	109	322,544	141	479,874	91	112,371	9,583	136	9,494	4	89
$50,000,000 under $100,000,000	62	605,529	75	526,118	50	175,756	10,578	73	10,466	2	112
$100,000,000 or more	56	1,576,487	73	2,125,392	56	828,606	42,759	72	42,257	1	502
Operating foundations, total	**1,330**	**501,188**	**1,947**	**500,378**	**685**	**193,618**	**9,302**	**1,945**	**9,302**	**—**	**—**
Zero, negative or unreported	—	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	*737	*3,805	*1,031	*4,839	*295	*1,787	*94	*1,031	*94	—	—
$100,000 under $1,000,000	*253	*3,284	463	11,711	*126	*2,464	234	463	234	—	—
$1,000,000 under $10,000,000	280	120,528	384	92,634	218	26,675	1,853	384	1,853	—	—
$10,000,000 under $25,000,000	32	41,729	33	37,714	21	8,298	771	32	771	—	—
$25,000,000 under $50,000,000	14	43,834	19	64,670	11	29,621	1,293	19	1,293	—	—
$50,000,000 under $100,000,000	9	69,361	9	52,459	8	26,830	1,049	9	1,049	—	—
$100,000,000 or more	5	218,647	7	236,352	6	97,943	4,008	6	4,008	—	—
Grantmaking foundations, total	**13,309**	**4,007,419**	**21,052**	**5,357,394**	**5,084**	**1,665,730**	**107,459**	**21,001**	**106,739**	***49**	***720**
Zero, negative or unreported	*147	*26	*147	*18	—	—	*(1)	*147	*(1)	—	—
$1 under $100,000	4,609	35,374	8,334	41,071	*737	*1,885	818	8,334	818	—	—
$100,000 under $1,000,000	5,704	227,202	8,409	295,330	1,999	63,992	5,928	8,367	5,882	*42	*45
$1,000,000 under $10,000,000	2,298	684,919	3,399	1,019,060	1,834	226,095	20,381	3,399	20,381	—	—
$10,000,000 under $25,000,000	314	343,168	460	632,769	302	163,033	12,682	456	12,661	3	21
$25,000,000 under $50,000,000	113	330,907	149	502,684	98	118,628	10,034	146	9,955	2	79
$50,000,000 under $100,000,000	65	653,631	78	555,274	54	194,098	11,142	77	11,069	1	72
$100,000,000 or more	58	1,732,192	77	2,311,188	60	898,000	46,475	76	45,973	1	502
Grantmaking-nonoperating foundations, total	**12,727**	**3,733,303**	**19,949**	**5,064,645**	**4,654**	**1,557,408**	**101,590**	**19,899**	**100,870**	***49**	***720**
Zero, negative or unreported	*147	*26	*147	*18	—	—	*(1)	*147	*(1)	—	—
$1 under $100,000	4,314	34,258	7,744	37,418	*442	*98	747	7,744	747	—	—
$100,000 under $1,000,000	5,494	224,003	8,030	286,004	1,915	61,541	5,741	7,988	5,696	*42	*45
$1,000,000 under $10,000,000	2,248	653,352	3,294	999,689	1,803	217,863	19,993	3,294	19,993	—	—
$10,000,000 under $25,000,000	302	326,017	448	613,287	297	161,173	12,276	445	12,255	3	21
$25,000,000 under $50,000,000	107	321,550	138	477,718	91	112,371	9,535	135	9,455	2	79
$50,000,000 under $100,000,000	61	597,610	74	525,118	50	175,756	10,539	73	10,466	1	72
$100,000,000 or more	56	1,576,487	73	2,125,392	56	828,606	42,759	72	42,257	1	502
Nongrantmaking-nonoperating foundations, total	**1,987**	**40,341**	**1,547**	**25,677**	***173**	***3,639**	**548**	**1,542**	**479**	***5**	***69**
Zero, negative or unreported	*337	*1,022	*42	*415	—	—	*8	*42	*8	—	—
$1 under $100,000	*1,328	*3,670	*1,178	*1,975	—	—	*39	*1,178	*39	—	—
$100,000 under $1,000,000	*295	*18,919	*295	*10,570	*168	*1,737	*211	*295	*211	—	—
$1,000,000 under $10,000,000	*21	*1,918	*21	*3,048	—	—	*61	*21	*61	—	—
$10,000,000 under $25,000,000	6	5,900	7	6,513	5	1,902	140	5	121	2	19
$25,000,000 under $50,000,000	2	993	3	2,158	—	—	48	1	38	2	10
$50,000,000 under $100,000,000	1	7,919	1	1,000	—	—	40	—	—	1	40
$100,000,000 or more	—	—	—	—	—	—	—	—	—	—	—

Footnotes at end of table.

Table 1. — Number of Foundations, Total Receipts and Total Deductions, Net Investment Income and Tax, Total Assets, Net Worth, and Distributions, by Type of Foundation and Size of Total Fair Market Value of Assets — Continued

[Money amounts are in thousands of dollars]

Size of total fair market value of assets	Total assets (book value)		Investments in securities (book value)		Total assets (fair market value)		Investments in securities (fair market value)		Net worth	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
All foundations, total	**27,584**	**48,227,043**	**16,815**	**37,418,071**	**26,953**	**62,886,606**	**17,025**	**49,822,624**	**27,584**	**45,633,124**
Zero, negative or unreported	*631	*6,107	*42	*3,814	—	—	—	—	*631	*6,087
$1 under $100,000	13,237	408,901	5,535	155,798	13,237	416,696	5,935	176,924	13,237	184,547
$100,000 under $1,000,000	9,125	2,981,006	7,104	1,770,325	9,125	3,262,919	6,967	1,975,788	9,125	2,920,886
$1,000,000 under $10,000,000	3,771	10,096,084	3,348	6,579,417	3,771	11,981,973	3,347	8,080,023	3,771	9,658,355
$10,000,000 under $25,000,000	493	5,967,814	470	4,466,902	493	7,543,920	461	5,571,440	493	5,749,762
$25,000,000 under $50,000,000	162	4,751,234	154	3,534,173	162	5,816,852	155	4,445,653	162	4,527,953
$50,000,000 under $100,000,000	85	4,639,926	83	3,652,311	85	6,035,403	81	4,657,527	85	4,258,569
$100,000,000 or more	80	19,375,972	80	17,255,330	80	27,828,843	80	24,915,268	80	18,326,964
Nonoperating foundations, total	**24,479**	**42,542,775**	**15,461**	**33,846,950**	**23,847**	**56,217,321**	**15,670**	**45,867,953**	**24,479**	**40,493,974**
Zero, negative or unreported	*631	*6,107	*42	*3,814	—	—	—	—	*631	*6,087
$1 under $100,000	11,175	336,980	4,945	133,425	11,175	344,575	5,345	153,985	11,175	129,092
$100,000 under $1,000,000	8,577	2,806,744	6,725	1,711,118	8,577	3,071,767	6,588	1,911,122	8,577	2,755,104
$1,000,000 under $10,000,000	3,346	8,821,517	3,026	5,980,040	3,346	10,527,069	3,025	7,361,064	3,346	8,672,335
$10,000,000 under $25,000,000	459	5,517,225	441	4,246,382	459	7,018,752	430	5,313,359	459	5,306,778
$25,000,000 under $50,000,000	143	4,215,273	136	3,157,498	143	5,138,036	137	3,961,093	143	4,018,709
$50,000,000 under $100,000,000	75	4,101,952	74	3,311,863	75	5,337,882	72	4,228,604	75	3,796,866
$100,000,000 or more	73	16,736,978	73	15,302,810	73	24,779,239	73	22,938,726	73	15,809,002
Operating foundations, total	**3,105**	**5,684,268**	**1,354**	**3,571,121**	**3,105**	**6,669,286**	**1,355**	**3,954,671**	**3,105**	**5,139,150**
Zero, negative or unreported	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	2,062	71,922	*589	*22,373	2,062	72,120	*589	22,940	2,062	55,455
$100,000 under $1,000,000	547	174,262	*379	*59,207	547	191,152	*379	64,667	547	165,782
$1,000,000 under $10,000,000	425	1,274,567	322	599,377	425	1,454,904	322	718,959	425	986,020
$10,000,000 under $25,000,000	34	450,589	29	220,520	34	525,168	30	258,081	34	442,983
$25,000,000 under $50,000,000	19	535,961	18	376,675	19	678,816	18	484,560	19	509,245
$50,000,000 under $100,000,000	10	537,974	9	340,448	10	697,521	9	428,923	10	461,703
$100,000,000 or more	7	2,638,993	7	1,952,521	7	3,049,604	7	1,976,542	7	2,517,963
Grantmaking foundations, total	**22,864**	**45,462,726**	**15,679**	**36,114,133**	**22,422**	**59,429,355**	**15,825**	**48,248,839**	**22,864**	**43,283,312**
Zero, negative or unreported	*442	*577	—	—	—	—	—	—	*442	*557
$1 under $100,000	9,659	343,928	5,051	140,369	9,659	355,844	5,345	164,575	9,659	135,903
$100,000 under $1,000,000	8,577	2,818,775	6,809	1,687,649	8,577	3,073,946	6,672	1,884,883	8,577	2,768,229
$1,000,000 under $10,000,000	3,419	9,054,558	3,078	6,062,852	3,419	10,754,371	3,077	7,449,804	3,419	8,779,479
$10,000,000 under $25,000,000	462	5,546,119	443	4,274,580	462	7,058,159	433	5,337,881	462	5,410,414
$25,000,000 under $50,000,000	150	4,411,650	145	3,368,558	150	5,385,666	145	4,208,735	150	4,230,565
$50,000,000 under $100,000,000	78	4,290,338	77	3,507,336	78	5,578,857	75	4,468,426	78	3,979,898
$100,000,000 or more	77	18,996,782	77	17,072,790	77	27,222,492	77	24,734,534	77	17,978,268
Grantmaking-nonoperating foundations, total	**21,602**	**41,946,501**	**14,704**	**33,642,880**	**21,160**	**55,535,910**	**14,848**	**45,618,008**	**21,602**	**40,024,466**
Zero, negative or unreported	*442	*577	—	—	—	—	—	—	*442	*557
$1 under $100,000	8,923	305,527	4,461	117,997	8,923	316,876	4,756	141,636	8,923	97,663
$100,000 under $1,000,000	8,198	2,688,326	6,514	1,646,541	8,198	2,933,759	6,378	1,842,527	8,198	2,645,982
$1,000,000 under $10,000,000	3,305	8,728,573	3,015	5,976,347	3,305	10,407,120	3,014	7,357,444	3,305	8,587,101
$10,000,000 under $25,000,000	449	5,355,018	433	4,175,348	449	6,844,371	422	5,229,121	449	5,223,688
$25,000,000 under $50,000,000	139	4,102,936	134	3,131,213	139	4,990,047	134	3,899,189	139	3,936,992
$50,000,000 under $100,000,000	74	4,028,566	73	3,292,625	74	5,264,496	71	4,209,366	74	3,723,481
$100,000,000 or more	73	16,736,978	73	15,302,810	73	24,779,239	73	22,938,726	73	15,809,002
Nongrantmaking-nonoperating foundations, total	**2,876**	**596,274**	**758**	**204,070**	**2,687**	**681,411**	**822**	**249,945**	**2,876**	**469,508**
Zero, negative or unreported	*189	*5,530	*42	*3,814	—	—	—	—	*189	*5,530
$1 under $100,000	2,252	31,453	*484	*15,428	2,252	27,699	*589	*12,349	2,252	31,429
$100,000 under $1,000,000	*379	*118,418	*211	*64,577	*379	*138,008	*211	*68,595	*379	*109,123
$1,000,000 under $10,000,000	*41	*92,944	*10	*3,694	*41	*119,949	*10	*3,621	*41	*85,234
$10,000,000 under $25,000,000	10	162,207	8	71,034	10	174,381	8	84,238	10	83,090
$25,000,000 under $50,000,000	4	112,338	2	26,285	4	147,989	3	61,904	4	81,717
$50,000,000 under $100,000,000	1	73,386	1	19,238	1	73,386	1	19,238	1	73,386
$100,000,000 or more	—	—	—	—	—	—	—	—	—	—

Footnotes at end of table

Table 1. — Number of Foundations, Total Receipts and Total Deductions, Net Investment Income and Tax, Total Assets, Net Worth, and Distributions, by Type of Foundation and Size of Total Fair Market Value of Assets — Continued

[Money amounts are in thousands of dollars]

Size of total fair market value of assets	Minimum investment return		Distributable amount		Qualifying distributions		Undistributed income for 1982		Excess distributions carryover to 1983	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)
All foundations, total	**24,788**	**2,658,490**	**23,278**	**2,397,587**	**26,429**	**5,529,765**	**6,525**	**663,503**	**15,585**	**4,857,481**
Zero, negative or unreported	*484	*796	*484	*787	*1,073	*6,495	—	—	*631	*6,399
$1 under $100,000	11,027	22,770	10,291	24,092	11,869	449,158	2,652	4,724	6,713	1,463,538
$100,000 under $1,000,000	8,872	143,612	8,451	134,791	8,914	482,908	2,189	29,350	6,009	852,021
$1,000,000 under $10,000,000	3,606	502,053	3,315	460,368	3,761	1,481,878	1,354	135,379	1,857	1,273,912
$10,000,000 under $25,000,000	479	312,213	453	291,771	489	697,065	196	86,153	223	494,538
$25,000,000 under $50,000,000	156	242,572	138	212,690	159	429,727	59	59,800	80	211,911
$50,000,000 under $100,000,000	83	245,575	74	222,042	84	508,213	35	71,428	40	245,530
$100,000,000 or more	80	1,188,900	73	1,051,046	80	1,474,322	40	276,668	31	309,632
Nonoperating foundations, total	**22,995**	**2,458,286**	**23,278**	**2,397,587**	**23,555**	**4,872,483**	**6,525**	**663,503**	**15,585**	**4,857,481**
Zero, negative or unreported	*484	*796	*484	*787	*1,073	*6,495	—	—	*631	*6,399
$1 under $100,000	9,996	20,586	10,291	24,092	9,954	415,276	2,652	4,724	6,713	1,463,538
$100,000 under $1,000,000	8,451	138,174	8,451	134,791	8,451	455,690	2,189	29,350	6,009	852,021
$1,000,000 under $10,000,000	3,325	466,465	3,315	460,368	3,336	1,204,782	1,354	135,379	1,857	1,273,912
$10,000,000 under $25,000,000	453	299,069	453	291,771	455	633,950	196	86,153	223	494,538
$25,000,000 under $50,000,000	139	219,865	138	212,690	140	364,203	59	59,800	80	211,911
$50,000,000 under $100,000,000	74	225,881	74	222,042	74	457,964	35	71,428	40	245,530
$100,000,000 or more	73	1,087,450	73	1,051,046	73	1,334,123	40	276,668	31	309,632
Operating foundations, total	**1,793**	**200,206**	**N/A**	**N/A**	**2,874**	**657,282**	**N/A**	**N/A**	**N/A**	**N/A**
Zero, negative or unreported	—	—	N/A	N/A	—	—	N/A	N/A	N/A	N/A
$1 under $100,000	*1,031	*2,184	N/A	N/A	1,915	33,882	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	421	5,438	N/A	N/A	463	27,217	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	281	35,589	N/A	N/A	425	277,096	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	26	13,144	N/A	N/A	34	63,115	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	17	22,707	N/A	N/A	19	65,524	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	9	19,695	N/A	N/A	10	50,248	N/A	N/A	N/A	N/A
$100,000,000 or more	7	101,450	N/A	N/A	7	140,199	N/A	N/A	N/A	N/A
Grantmaking foundations, total	**22,235**	**2,575,722**	**21,347**	**2,382,725**	**23,263**	**5,113,738**	**5,754**	**658,464**	**14,918**	**4,800,748**
Zero, negative or unreported	*442	*39	*442	*39	*884	*5,900	—	—	*588	*5,340
$1 under $100,000	9,217	21,033	8,775	22,936	9,659	410,125	2,062	4,303	6,229	1,458,272
$100,000 under $1,000,000	8,451	137,215	8,114	129,224	8,535	477,366	2,021	25,964	5,883	845,841
$1,000,000 under $10,000,000	3,368	469,337	3,284	457,056	3,419	1,251,174	1,344	135,248	1,848	1,269,177
$10,000,000 under $25,000,000	455	301,811	448	289,660	461	648,450	194	85,611	219	455,046
$25,000,000 under $50,000,000	148	231,308	137	210,723	150	389,429	58	59,244	80	211,911
$50,000,000 under $100,000,000	78	237,124	74	222,042	78	476,720	35	71,428	40	245,530
$100,000,000 or more	77	1,177,856	73	1,051,046	77	1,454,571	40	276,668	31	309,632
Grantmaking-nonoperating foundations, total	**21,359**	**2,443,838**	**21,347**	**2,382,725**	**22,001**	**4,830,312**	**5,754**	**658,464**	**14,918**	**4,800,748**
Zero, negative or unreported	*442	*39	*442	*39	*884	*5,900	—	—	*588	*5,340
$1 under $100,000	8,775	19,403	8,775	22,936	8,923	405,803	2,062	4,303	6,229	1,458,272
$100,000 under $1,000,000	8,114	133,278	8,114	129,224	8,156	452,518	2,021	25,964	5,883	845,841
$1,000,000 under $10,000,000	3,294	463,091	3,284	457,056	3,305	1,178,603	1,344	135,248	1,848	1,269,177
$10,000,000 under $25,000,000	448	296,837	448	289,660	448	612,609	194	85,611	219	455,046
$25,000,000 under $50,000,000	138	217,859	137	210,723	139	382,792	58	59,244	80	211,911
$50,000,000 under $100,000,000	74	225,881	74	222,042	74	457,964	35	71,428	40	245,530
$100,000,000 or more	73	1,087,450	73	1,051,046	73	1,334,123	40	276,668	31	309,632
Nongrantmaking-nonoperating foundations, total	**1,636**	**14,446**	**1,931**	**14,862**	**1,554**	**42,171**	**771**	**5,039**	**667**	**58,733**
Zero, negative or unreported	*42	*757	*42	*748	*189	*594	—	—	*42	*1,059
$1 under $100,000	*1,221	*1,183	1,515	1,155	*1,031	*9,472	*589	*421	*484	*5,266
$100,000 under $1,000,000	*337	*4,895	*337	*5,567	*295	*3,173	*168	*3,386	*126	*8,180
$1,000,000 under $10,000,000	*31	*3,373	*31	*3,312	*31	*6,178	*10	*134	*10	*4,735
$10,000,000 under $25,000,000	5	2,232	5	2,111	7	21,341	2	542	4	39,493
$25,000,000 under $50,000,000	1	2,006	1	1,967	1	1,412	1	556	—	—
$50,000,000 under $100,000,000	—	—	—	—	—	—	—	—	—	—
$100,000,000 or more	—	—	—	—	—	—	—	—	—	—

N/A - Not applicable

*Estimate should be used with caution because of the small number of sample returns on which it is based

[1] Less than $500

NOTE: Detail may not add to total because of rounding

SECTION THREE - THE IMPACT OF FOUNDATION PHILANTHROPY ON SOCIETY HERE AND ABROAD

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FOUNDATIONS, SOCIAL SCIENCES, AND THE ORIGINS OF AMERICAN MACROECONOMIC PLANNING, 1900-1930

by
Guy Alchon

Prepared for
The Impact of Foundation Philanthropy
on Society Here and Abroad Panel
March 14, 1986

About the Author: Guy Alchon is an Assistant Professor of History, University of Delaware.

Twentieth century America's large foundations and social sciences share a deep and intertwined history. Among the earliest and most extensive bequests made by the Carnegie Corporation of New York, the Rockefeller Foundation, the Commonwealth Fund, and the Russell Sage Foundation, were those dedicated to the support of programs and institutions designed to build the social sciences. During the first decades of the century, corporate philanthropy underwrote, among other things, the first comprehensive surveys of urban life, the establishment of modern social work, the development of university training in the social sciences, and the creation of public policy research institutions.[1]

Recent years have seen increasing attention devoted to the political significance of the philanthropy-social science connection. Some historians and sociologists, especially concerned with the nature of modern authority, see in this linkage an important mechanism of authority-production. Others, increasingly impressed by the depth and persistence of America's reliance on private institutions to fulfill public tasks, have located philanthropy and its works as central to modern America's development. And combining aspects of each of these perspectives, is a line of scholarship particularly concerned with the macroeconomic dimension of the history of philanthropy and social science. Here, social science institutions and their foundation patrons are seen as as an important source of modern planning capabilities and ideologies. This, so it now appears, was the case especially during the period from 1900 to 1930, when foundations and their offspring, including the National Bureau of Economic Research and the Brookings institutions, increasingly assumed public planning functions. By the 1920's, foundations and social scientists had emerged as important actors in efforts to stabilize the national economy, and in the process they and their values of expertise and planning had assumed a wider cultural influence. The rise of a managerial capitalism and modern bureaucratic society, it now seems clear, cannot be understood apart from these developments. And what follows, then, is a closer examination of what we now know about the history of foundations, social science, and movement toward macroeconomic management during this period.[2]

* * *

"The creation of the modern foundation and its legitimation as a national system of social reform," argue Barry Karl and Stanley Katz, "... carried the United States through a crucial period of its development: the first third of the twentieth century." As Americans entered the new century, they brought with them a cramped and suspicious view of the purposes of national government. Based on a long tradition of federalism and local autonomy, this antistatism restricted the development of a governmental response to problems that recently had become national in their severity and scope. The emergence of an industrial working class, recurring mass unemployment, and a new immigration and urban poverty, were among the more ominous by-products of the organizational revolution in American life generated by the rise of big business. And it was against this backdrop of antistatism and new, national needs, that both the modern foundation and new technical professions would arise to promote private solutions to public problems.[3]

From their beginnings, however, the new foundations, especially those of Carnegie and Rockefeller, came under attack as fronts for big capital and as an antidemocratic power grab. Over time, their preliminary successes in such areas as medicine and public health would help to blunt these attacks. But in the areas of economic and labor relations, perceptions of the foundations as capitalist tools frustrated their assumption of social legitimacy and influence. Foundations, however, were not alone in their frustration. The modern social science professions, which had only just emerged late in the nineteenth century, were filled also with aspirations to social reform and influence, but were humbled by their acute ignorance of social facts. This was especially the case with regard to such issues as the nature, composition, and distribution of the nation's income. Ignorance of such basic information, according to the industrial inquiries and investigating commissions of the day, contributed to the increasingly dangerous impasse between capital and labor, and was convincing evidence of a vacuum of social authority. Needed, as they saw it, were new institutions that could claim convincingly to transcend class conflict and thus be able to generate social and economic facts acceptable to all parties. Neither foundations nor social science professions alone could fulfill this role. But by working together, it now seems clear, they were able to offer an alternative both to socialist and reactionary impulses, while at the same time they advanced their similar claims to social authority and legitimacy.[4]

That they did work together was also the result of the common world view shared by the new foundation executives and social science professionals. Each was imbued with the exuberant scientific optimism characteristic of early twentieth century America. Believing in the superiority of scientific rationality and efficient organization, each group was eager to apply the scientific method to social and economic problems. Both the founders and executives of the new foundations, for example, wanted to move beyond older notions of charity toward a philanthropy committed to scientific investigation and systematic alleviation of the sources of social distress and economic instability. Already, during the 1890's, Frederick Gates had introduced professional administration to philanthropy by imposing upon John D. Rockefeller's scattered "retail" giving a model of general purpose or "scientific" giving. And in 1907, the Russell Sage Foundation was launched under the direction of such men as Robert DeForest and John M. Glenn. They were advocates of a scientized social work, and from its beginning dedicated the new foundation to a research program and other activities designed to build such a profession.[5]

This movement toward professional administration and scientific concern encouraged a tendency to turn management and program formulation over to the rising social science professionals with their claims to systematic experise and broad social understanding. And the commitment of the new foundations to social investigation complemented the utopian and technocratic sensibilities of economists, social workers, and scientific managers, and, more immediately, promised to subsidize the data-building necessary to reduce the gap between social science's vision and competence. As a result, the pre-World War I development of philanthropy and social science was characterized by economic and social surveys and other exercises in data production designed to meet the need for greater enlightenment and better social management. These activities reflected a technocratic progressivism, one that emphasized technical and administrative solutions to economic and social problems. It was within this kind of progressivism, which was especially concerned with economic instability and unemployment, that social scientists would construct microeconomic strategies for macroeconomic management. And it would be at least partly from these developments that America's first peacetime apparatus of national economic planning would arise during the 1920's.[6]

The improvement of social science's data competence, and thus the advancement of its scientific legitimacy, derived during the prewar years nowhere as much as from the evolving relationship between the Russell Sage Foundation and social work. Early in 1908, Sage Foundation trustees moved toward the creation of a Department of Industrial Studies by funding a young social worker, Mary Van Kleeck, in her investigation of the conditions of women's and child labor in New York City. By 1910, these activities would be incorporated into the foundation's new Committee on Women's Work, with Van Kleeck as director. In this capacity, she was responsible for the establishment and direction of an important research apparatus. Her work, in addition, helped to shape the modern redefinition and attack on both poverty and unemployment. And of even greater importance, Van Kleeck's work supported microeconomic stabilization as a strategy for maintaining full employment. Her studies found seasonal unemployment to be a major source of urban poverty; and this source, she concluded, could be eliminated, partly by government action to raise the cost of irregular employment, but mostly through the actions of responsible managers making enlightened decisions in their individual firms. Because of its emphasis on the role and importance of business management, this was an approach congenial to American traditions and institutions, and it was one that would mature under the press of war mobilization and postwar dislocation.[7]

The evolution of American macroeconomic management was accelerated by the nation's mobilization for World War I. Where unemployment had helped to galvanize prewar technocratic progressivism, the war's demands created a climate conducive to the growth of planning institutions and technocratic machinery. Perhaps the most important of these was the Central Bureau of Planning and Statistics. Organized by economists Edwin F. Gay and Wesley C. Mitchell, the Central Bureau and similar bodies introduced the technocratic potential of social science to a range of government, labor, and business leaders, thus creating a network of personal and professional associations that could become a planning constituency. And by supporting a significant data-gathering effort, the war mobilization helped to reduce the gap between social science vision and competence and allowed social scientists to appear to be socially useful.[8]

For foundations, too, the First World War led to a greater degree of public acceptance and legitimacy. The part played by Rockefeller and other foundations in the mammoth American program of European relief had much to do with this. But also contributing, it seems likely, was the experience of foundation officials who, like social scientists, participated widely in mobilization activities, and in the same way probably gained a greater acceptance from the many business, government, and labor representatives with whom they associated.[9]

By late 1918, the stage had been set for efforts to translate wartime achievements in economic coordination into peacetime routine. And in these efforts foundations and social scientists would play an important part. In the year following the war, an economy that had appeared to be moving toward better management and social stability suffered sickening swings between depressed markets and labor gluts to hyperinflation and industrial warfare. And by late 1920, the worst depression in thirty years had broken. At its trough in January 1921, following the most precipitous price collapse in American history, unemployment stood at nearly twelve percent and, as in the prewar period, the problem of unemployment would again bring forth designs for technocratic management. Now, however, this development would proceed within the newly established machinery of the President's Unemployment Conference, the brainchild of the new Commerce secretary, Herbert Hoover, who was emerging as national leader of the movement for macroeconomic management.[10]

Hoover had entered the Harding cabinet after being assured that he could expect to exert considerable influence in all phases of economic policy. By 1920, Hoover had emerged as the leading spokesman for the "progressive" movement then sweeping engineering, and was convinced that low productivity and economic mismanagement comprised fundamental threats to capitalist stability and social progress. To combat these intertwined disorders, he looked toward programs of waste elimination and market expansion, and to the creation of countercyclical mechanisms capable of producing the data and behavior needed to control business cycles and maintain macroeconomic stability.[11]

Such countercyclical planning would be undertaken through a technocratic constituency of foundations, social science professions, and new policy research organizations like the National Bureau of Economic Research, founded in 1920 by Wesley Mitchell and Edwin Gay with the help of the Commonwealth Fund and Carnegie Corporation of New York. This constituency, so Hoover thought, could perform functions that government would not or should not undertake. Yet government, specifically the Commerce department, could assist in the development and legitimation of the new planning apparatus. Envisioned was a form of statist action that was essentially corporatist in nature, one in which the government functioned to create an arena in which private institutions would be encouraged to act in a public capacity. In this sense, then, the Business Cycle Committee which would soon emerge from the Unemployment Conference of 1921 and through which countercyclical planning would be elaborated during the 1920's, represented a kind of corporatist state undertaking functions that governmental agencies were unable or unwilling to perform.[12]

Three factors were largely responsible for the particular shape and ideas behind the countercyclical machinery developed in the 1920's. One was Hoover's political philosophy and organizational experience. A second was Wesley Mitchell's agenda for the advance of social science as reflected in the employment of the National Bureau. And a third was the increasing willingness of the major foundations to support the further development of social science and its application to public policy.

As its chief sponsor, Hoover contributed most to setting the ideological and organizational limits of the new planning apparatus. As a technocrat concerned about the lack of verified social and economic data, he was committed to the support of social science empiricism. Yet, as a foe of "statism" and "politicization," he needed institutions based in the private rather than the public sector. Hoover's wartime European relief activities had brought him into contact with some of the major foundations and their ability to act against pressing public problems in an apparently disinterested manner, thus making them especially attractive as potential sources of funding and legitimacy for the planning system he envisioned. The increasing public acceptance of foundations, based in part on perceptions of their disinterestedness, would also be valuable, Hoover seemed to think, in furthering the "weight" and "carrying power" of his project.[13]

The second major figure shaping what would emerge was Wesley Mitchell, who brought to the task a faith in the potential of social science, once it was properly subsidized, to generate the data necessary to inform the construction of intelligent public policy. Mitchell was convinced that in the continuing study of business cycles lay the possibility of realizing not only a true science of society, but of moving toward a truly prescriptive economics. Analysis of an economy in motion, he believed, would generate a heightened data competence, which in turn would enhance both the status of economic analysts and the potential for effective economic management.[14]

The third factor helping to shape the countercyclical apparatus of the 1920's was the increasing willingness of foundations to support social research and planning. Despite the Sage Foundation's prewar support of social work research, this was primarily a postwar phenomenon, resulting partly, it appears, from the postwar sense of social dislocation and partly from the war-generated optimism about social science's utopian potential. Foundation support would be instrumental to the creation and maintenance now of such institutions as the Social Science Research Council and the Brookings Institution.[15]

Within philanthropy there was also more at work. New foundations and new managers for old foundations now arose to take advantage of the new opportunities opened by the war. The sought to link philanthropy more closely to an emerging managerial system, to support the development of social science research, and thus help to make foundations a more effective force for the private planning of public policy. The first and most notable instance of this following the war was the critical role played by the new Commonwealth Fund and the Carnegie Corporation in launching the National Bureau of Economic Research.

Subsequently, the Commonwealth Fund would continue to play an important part. But its influence, as well as that of the Sage Foundation, was soon surpassed as a result of new leadership and a simultaneous reorientation within the older and larger Carnegie and Rockefeller foundations. This reorientation was led by a number of men, among them Henry S. Pritchett and Frederick P. Keppel at Carnegie. But it was Beardsley Ruml's rise to prominence, first at the Carnegie Corporation and then as head of the Laura Spelman Rockefeller Memorial, that contributed the most to making philanthropy the most important source of support for the development of social science and its linkage to managerial institutions during the 1920's. Alone among its peers in the 1920's, the Memorial dedicated itself entirely to the building of social science. During the decade it was responsible for much of the forty-fold increase in philanthropic support of social science activity, and was especially supportive of the Social Science Research Council, the Brookings Institution, and the National Bureau.[16]

* * *

The period from 1900 to 1930 saw the initial development of what would become an important and recurring pattern in modern American development. By the end of the 1920's, efforts to enlist private bodies for public planning purposes had helped to elevate America's foundations and social sciences into the modern managerial constellation. And despite the subsequent failure of these efforts to predict or prevent the coming of the Depression, and despite the turn toward statism during the 1930's and World War II period, the thinking and impulses behind them would reappear in the postwar activities of the Committee for Economic Development and in the resurgence of antistatism during the 1970's. Recent proposals on behalf of a "new social contract" or national "industrial policy" are, among other things, the latest manifestation of the continuing American effort to reconcile antistatism with the search for national managerial capabilities.

The chief problem, however, with the contemporary policy debate is that it proceeds largely ignorant of its own history, and thus of the political stakes involved. For fundamental to the intertwined histories of philanthropy, social science, and the rise of managed capitalism to 1930 was a tendency to depoliticize social authority and to encourage the determination of public policy increasingly within technical and administrative arenas. Such a tendency may have about it the air of inevitability, but that need not blind us to the costs involved. And if recent scholarship on these matters has done little else, it has begun to make apparent the depth and extent of the technocratic and anti-democratic impulses animating to this day large areas of liberal capitalism's political culture.

Still, further study is needed before a persuasive synthesis of recent scholarship on modern America's institutional and ideological development can be constructed. We need, for example, to specify more clearly the conflicting as well as consensual elements in the evolving relations among foundations, social science institutions, and the state. And we need further work toward explaining the sources and political significance of the transformation of social policymaking from a largely private to a substantially governmental function. But with regard to developments running from 1900 to the 1930's, we need especially to know more about the extent of congruence, tension, and mutual reinforcement between the varieties of feminist and managerial thought that then predominated and which likely found expression in the lives and work of the many women involved in the planning activities of the period. Women, for instance, were a minority but influential presence within scientific management and foundation circles, and were heavily represented within the scientific social work movement. However, we have yet to see sufficient awareness or investigation into these involvements by organizational or women's historians. The pursuit of questions such as this will probably require nothing less than a merger of the two dominant streams of contemporary American historiography.

Notes

1. Louis Wirth, "The Social Sciences," in Curti, 1953; Fosdick, 1952; Glenn, 1947.

2. See Arnove, 1980, for the best collection of scholars especially concerned with authority-production. See also, Berman, 1983. Organizational historians are primarily interested in the public uses of private institutions. See Karl and Katz, 1981; Hawley, 1974, 1979. Historians combining these approaches and developing the history of macroeconomic capabilities include Eakins, 1972; Metcalf, 1975; Critchlow, 1985; Alchon, 1985.

3. Karl and Katz, 1981, p. 243; Adams, 1966; Wiebe, 1967.

4. Karl and Katz, 1981; Alchon, 1985, Ch. 1; Adams, 1966.

5. Fosdick, 1952, Ch. 2; Karl and Katz, 1981, pp. 243-48; Glenn, 1947, Pt. 1.

6. Alchon, 1985, Ch. 1; Karl, 1985; Metcalf, 1975.

7. Glenn, 1947, Ch. 5; Alchon, 1985, Ch. 1. Van Kleeck was not alone in arguing that better business management could result in macroeconomic stability. During the prewar period, scientific nanagers like Henry S. Dennison and economists such as Wesley Mitchell independently developed similar arguments.

8. Hawley, 1979; Alchon, 1985.

9. Karl, 1985; 1981, pp. 260-61.

10. Alchon, 1985, Ch. 3-5; Metcalf; 1975.

11. Hawley, 1974.

12. Alchon, 1985, Ch. 5. Hoover's planning apparatus was based on the proposition that social science research into the nature of business cycles could be used by his Commerce Department to educate the nation's businessmen toward the better management and stabilization of their individual firms. Such planning was, in effect, a microeconomic approach to macroeconomic management. It was founded on the assumption that if enough managers stabilized their operations along the lines recommended, then the sum of such individual behavior would add up to national economic stability.

13. Hawley, 1974, 1979; Alchon, 1985, Ch. 5.

14. Garraty, 1978; Alchon, 1985, Ch. 3.

15. Karl, 1976, 1985; Karl and Katz, 1981, pp. 251-52.

16. Karl and Katz, 1981, p. 251; Alchon, 1985, Ch. 3,4,7; Karl, 1985.

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CRITICAL PERSPECTIVES ON PHILANTHROPY AT HOME AND ABROAD: RESEARCH TRENDS AND OPPORTUNITIES

by
Edward H. Berman

Prepared for
The Impact of Foundation Philanthropy
on Society Here and Abroad Panel
March 14, 1986

About the Author: Edward H. Berman is Professor and Chair of the Education Department, School of Education, University of Louisville.

In a discussion of his new book Waldemar Nielsen attributes the dearth of scholarly investigation of philanthropy to researchers' fears that critical, or even searching, assessments of their subjects will jeopardize their grants.[1] While this is probably an accurate assessment, the systematic study of American philanthropy is certainly further advanced than when Merle Curti called attention to this subject's importance thirty years ago.[2] The work that has been completed ranges across the ideological spectrum and examines a host of institutions and a number of their particular concerns. To be sure this work is disparate and uneven in quality. At the same time, however, it provides us with a modest data base and raises numerous questions that beg for investigation.

In the discussion that follows, I address a number of issues whose examination might further our understanding of the role played by American philanthropy both at home and abroad. For the purposes of this discussion, I shall focus on, first, the role played by philanthropy in the institutionalization of an educational system for blacks in the American South in the period from roughly 1870 to 1930; second, the activities of several foundations in educational activities in particular Third World nations, primarily, but not exclusively in the period after 1945; third, the role played by the foundations in the creation and dissemination of knowledge both at home and abroad; and fourth, the criticisms levelled at a small group of critically-oriented researchers who have scrutinized in the last few years various aspects of the foundations' activities.

It will be obvious that these categories are neither mutually exclusive nor self-contained. Rather, they were selected in an attempt to give a semblance of order to a wide-ranging topic. My critical approach is not intended to imply that the activities of the foundations have been without their considerable positive aspects. Their good works speak for themselves. These are not my concern, however. I am interested in explicating some of the foundations' activities which have not been so generally known, but which in the final analysis may have had a more profound influence on the society in which we live than those better documented, and more laudatory, undertakings.

Education for Blacks at Home, 1868-1930

Hampton Institute admitted its first students in 1868. Those responsible for its establishment assumed that the restricted, vocational curriculum was appropriate for the freed slaves who would be the Institute's students. This assumption was based on the founders' view of the black man's limited intellectual capacity and on their belief that the freed slaves' future role as the South's semi-skilled labor force precluded the necessity of a more academically-oriented education.

Hampton's major supporters, as well as those of the Tuskegee Institute that opened its doors in 1881, were a handful of northern industrial philanthropists, two northern educational trusts, and the Boston-based American Missionary Association. Several of the individuals central to the founding of Hampton and Tuskegee continued their involvement into the 20th century, at which time the main source of support for these institutions--and their ideology that helped to shape southern black education--shifted to the General Education Board. Several other foundations collaborated with the GEB in the elaboration of what subsequently became known as the Tuskegee philosophy of education, including the Phelps-Stokes Fund, the Jeanes Fund, and the Rosenwald Fund. These foundations supported those schools in the Hampton-Tuskegee orbit through a combination of direct financial assistance, personal advice, lobbying efforts among other influential and interested organizations, and published reports and surveys.

These latter were uniformly laudatory about the exploits of those schools following the Tuskegee philosophy and equally caustic about any black school that attempted to provide its students with a basically liberal arts education.[3]

Those advocating the Tuskegee philosophy saw it as the educational adjunct of a basically discriminatory social policy in the American South and as a means of providing the freed southern black with just enough education to insure his continuance as a docile, semi-skilled member of a burgeoning southern labor force that could contribute to the region's economic recovery. Representatives of those foundations involved in the fortunes of Hampton and Tuskegee after 1900 regularly disparaged efforts of black intellectuals to force an alteration in the direction of this policy, labelling them variously as "radicals" or as "unrepresentative agitators."[4]

Foundation Activities Abroad, 1920-1980

Shortly after the conclusion of World War I the Tuskegee philosophy of education was exported to Africa. For several years the British Colonial office had been searching for a coherent educational policy for its extensive African empire. There was little in British experience upon which to draw. Several influential British missionaries had viewed the work at Tuskegee before the war. They communicated their enthusiasm to a few well-placed officials in the Colonial Office. Officers of the Phelps-Stokes Fund and Tuskegee Institute were consulted in 1919. The outcome was two tours of Africa led by the educational director of the Phelps-Stokes Fund and facilitated by the Colonial Office and representatives of the London-based International Missionary Council. The director, Thomas Jeffe Jones, was unreserved in his praise of Britain's civilizing mission in her African territories. He saw the Tuskegee philosophy of education as the pedagogical adjunct to the British policy of Indirect Rule. Jones and his colleagues fully understood that the implementation of this restrictive educational policy would serve to strengthen Britain's colonial control while affording the African majority no access to an education/training that would enable them to alter their subordinate position. The Carnegie Corporation and the Rockefellers' International Education Board made significant contributions to support this work. The commissions' two reports, issued in 1922 and 1925 and modelled on an earlier Phelps-Stokes Fund report on Negro education in the United States, opined that a narrowly vocational education was the most appropriate for Britain's African subjects, that such educational fare would contribute to stability and insure the status quo while simultaneously acquainting the Africans with the superiority of Western civilization:[5] The paradox, however, was that the education suggested for the Africans was purposefully designed to keep them in their villages, while at the same time providing a limited number with the requisite skills to staff the lower echelons of the colonies' administrative infrastructures.[6]

Later in the decade the Phelps-Stokes Fund exported the Tuskegee philosophy to Liberia. The Fund's work in the establishment of the Booker Washington Agricultural and Industrial Institute in 1928 was supported by the Firestone Tire and Rubber Company, which by the time had established Liberia as the centerpiece of its world-wide extractive industry. The relationships linking the Firestone concern and the Phelps-Stokes Fund to the restricted educational fare offered at the Institute were not lost on Liberia's political leadership, which questioned whether the activity was in the long-term interests of Liberian nationals. Phelps-Stokes Fund personnel ignored these repeated expressions of concern, arguing that the Institute's work was the most appropriate for Liberian students. They also minimized repeated examples of student hostility toward the school's narrow program.[7]

There was little ambiguity concerning the motivation of the American foundations involved in African education in the period before World War II. The attempts to educate suitably trained and docile African subjects who would accept their subordinate place in the colonial order, while providing skilled manpower to fill the non-supervisional positions in the economy, were most salient. These efforts represented an internationalization of the Tuskegee philosophy and, as several studies make clear, foundation representatives well understood how such a transference would maintain the status quo, which favored those who conceived and implemented the policy while disadvantaging its recipients.

The overseas' activities of the foundations expanded significantly after World War II. The catalysts then for the foundations' interest in the nations of Africa, Asia, and Latin America were the Cold War and the drive toward independence after 1950. Those most centrally involved in these efforts were the Carnegie Corporation, the Ford Foundation, and the Rockefeller Foundation. Their trustees and officers were concerned lest the newly independent nations be unduly influenced by the apostles of state socialism, particularly the USSR. The resulting cultural offensive led these foundations to concentrate considerable effort and resources on expanding educational networks--particularly at the post-secondary level--in selected Third World nations. The arguments in this vein have been most fully developed in Robert Arnove's work and in my own.[8] Let me sketch out the most salient aspects of these arguments, both for the story they develop and for the research possibilities they suggest.

In the late 1940s and early 1950s, representatives of the Carnegie, Ford, and Rockefeller foundations regularly cited the threat to American interests from Soviet expansionism as a justification for their own program expansion into Africa, Asia, and Latin America. Not only must the nations of those areas make the appropriate foreign policy alignments to insure their evolutionary democracy, but such alignments were important to insure continued United States access to sources of vital raw materials. All three foundations were alarmed about the dearth of educated indigenous personnel, those who would be responsible for guiding their nations through the treacherous Cold War era and the difficult initial period of independence. These concerns led the Rockefeller Foundation to concentrate on strengthening several Third World universities, paying special attention to internal university administration, the biomedical and natural sciences, and the social sciences. Ford also concentrated its efforts at the university level, focusing particularly on the social sciences, agricultural economics, the applied sciences, and public administration. Carnegie Corporation officials concentrated geographically on Britain's former African colonies (a constraint imposed by the Corporation's charter) and focused on strengthening teacher education.[9]

The foundations sought to accomplish their goals by a number of means, including: 1) seconding to the foreign institution a limited number of academic specialists and administrators, whose objective was to reshape/reorganize an academic department or the institution's administrative structure; 2) identifying African, Asian, and Latin American students for advanced study in a group of select American universities; 3) encouraging the revamped Third World institution to provide to another regional institution support and advice similar to that originally provided by the foundation(s) to the original Third World university--what Arnove has referred to as the "networking" principle.

The Rockefeller Foundation's efforts were encompassed under its University Development Program, organized in 1955, which initially identified five universities that would benefit from the Foundation's attentions--one each in Colombia, Nigeria and the Philippines, and consortia arrangements in Thailand and East Africa. The Ford Foundation's efforts were less concentrated than those of Rockefeller; its work in institution-building was most marked in Nigeria, East Africa, Congo/Zaire, Colombia, Chile, Brazil, and Thailand. Sometimes the two foundations focused on the same institutions, as did the more "official" foreign aid agency (the Agency for International Development), and regular meetings were held to delineate responsibilities and share information. Carnegie Corporation representatives frequently joined those discussions when the institution was in Africa where, as noted above, the Corporation's involvement in teacher education was widespread.

The foundations' attempts to strengthen a limited number of post-secondary institutions to educate the leaders of particular Third World nations grew logically from similar efforts to create a few "centers of excellence" in the United States. Others have documented how the Rockefeller philanthropies in particular invested heavily during the 1920s and 1930s in supporting a small group of American universities where, it was assumed, the domestic society's future leaders would be educated and socialized into norms that would be supportive of the nation's existing social, economic, and political arrangements.[10] It was assumed that the model that had developed was transferable, in somewhat modified form to be sure, to selected nations of Africa, Asia, and Latin America after 1955.

The foreign students selected to study for advanced degrees in the United States were expected to return to their national institutions that foundation largesse was helping to strengthen. There was nothing new in these efforts--the Rockefeller Foundation's scholarship program for foreign students had begun in 1917, and the Phelps-Stokes Fund expended considerable efforts during the 1920s and 1930s in its attempts to identify those African students who would internalize the norms of the Tuskegee philosophy and return to spread the gospel in their home institutions. The post-World War II political context, however, meant that foundation fellowship programs became intertwined with the Cold War ideology, and the issue of identifying the "responsible" foreign student for study here took on an unmistakable political cast. This issue places in relief the foundations' relationships with other U.S. aid agencies, both those of the official variety and the others. To be specific, the foundations sometimes worked on foreign student recruitment with representatives of the Agency for International Development, the Institute of International Education, the African-American Institute, and the Congress for Cultural Freedom, to mention only several. Several of these were bankrolled by the Central Intelligence Agency. Indeed, the financing and the ideology of those institutions frequently overlapped, as we now know.[11]

The foundations' efforts to place their foreign students in universities in the United States were not haphazard. Rather, a small group of universities--what Arnove has termed "resource institutions"--has received the majority of foreign nationals over the years. Not surprisingly, those are the same institutions that have benefitted from the foundations' individual or collective attention over the years. Mention of two examples will illustrate the point, and will also suggest a potential area for further research.

Stanford, Harvard, and the University of Chicago are among the resource institutions that have been most favored by the foundations over the years. Arnove has documented how over the last fifteen years are so these universities have been granted over $1 million each to provide advanced training in education and the social sciences for some 150 Latin American educational researchers, planners, administrators, and faculty members. Stanford's Program in International Development Education had trained some 82 Latin American graduate students at the Master's level in the concepts and methods of educational research and planning by 1982. The Ford Foundation has been the primary source of financial support for this and other similar training programs--focusing on Asian students--at Stanford. Most of the students selected to study at Stanford have been affiliated with a foundation-supported institution (university, research organization, or planning agency) in their home country before travelling to California.[12]

Columbia University's Teachers College has long served as a resource institution for African students affiliated with Carnegie Corporation programs. In 1972, a key individual in these African teacher education projects noted the significant role of Teachers College in those endeavors, especially in educating many of the heads and faculty of African teacher education institutions. By 1975 personnel from institutes of education at universities in most formerly British colonies had been exposed to American pedagogical concepts through their study there.[13]

Now, if we accept that institutions like Columbia, Stanford, Harvard, and Chicago are important agencies for the transmission of the dominant culture, we have to ask how effective have these same institutions been in helping foreign students to internalize various aspects of this culture, which they subsequent carry with them to their home institutions. Both Arnove and I have devoted considerable attention to this issue, and it has been one that has evoked a common criticism, which can be summarized as follows. If, as we argue, the American universities in question, with considerable foundation support, have organized their academic programs in such a way as to institutionalize certain domain assumptions that are supportive of the existing American and world economic and political order; and if the foreign students who study in the institutions are, through their study there, exposed to these domain assumptions in such a manner as to preclude the development of a more critical viewpoint, then we assume that there exists an almost functionalist relationship between the programs' intent and the outcome. Or, to put it more simply: we argue that the universities' attempts to impose through its programs a particular worldview supportive of American interests is accepted by foreign students, who return to their own institutions and shape them--and their ideological perspectives--according to norms derived from their U.S. experience, which is inherently conservative.

The critics generally fail to give us credit for recognizing the very real possibilities of modification of or resistence to the dominant viewpoint, or of the basic contradiction inherent in the whole process that we repeatedly stress: that the universities'/foundations' program may have the very opposite effect from that intended and may serve to open to the foreign student numerous possibilities for action not understood before the U.S. university experience. But this is not the place to joust with the critics. What is worth mentioning is the research possibility afforded by their criticism: there has not been sufficient research, certainly not by Arnove nor by me, on the career patterns of those foreign nationals educated at American universities through foundation-sponsored programs. Arnove and I have made our case unambiguously. Investigation of the subsequent career patterns of former foreign students is about the only way to sustain the critics' position that the foundation-sponsored programs never intended to force foreign students into a single mold and/or that they were not successful in accomplishing this.

Foundations and the Creation and Dissemination of Knowledge

The major foundations--including Rockefeller, Carnegie, Russell Sage, and Ford--have played central roles in this century in the development of the social sciences, areas studies, programs, and modernization theory.[14] They have provided important support for such organizations as the National Bureau of Economic Research, the Brookings Institution, the Social Science Research Council, and the American Council of Learned Societies. They have made grants to inter-university consortia, to numerous European universities and institutes, and have funded other groups to organize scores of conferences and symposia concerned with a variety of issues, ranging from the problems of economic development in the Third World to worldwide environmental protection. They have subsidized university presses, scholarly journals, and overt propaganda organizations such as the Congress for Cultural Freedom.[15] The foundations have, in short, exerted an extraordinary degree of influence in determining how knowledge is organized, what knowledge is considered to be legitimate, and what issues should be discussed at a particular time. Indeed, they have helped to determine the very parameters of inquiry and meaningful discourse for many intellectual workers. They have, in short, helped to establish the intellectual agenda. I can mention only a very examples of the role played by the foundations in this crucial area of knowledge production and dissemination, but even these few should alert us to the possibilities for research that this area affords, at least for those researchers who are not concerned that probing into such sensitive issues will jeopardize the possibility of securing a foundation grant.

From the beginning, the foundations have promoted modes of intellectual inquiry that preclude or minimize investigation of the structural properties of American society, particular the organization of the economy and the polity and the composition of the ruling class. Their funded studies focus instead on the marginal issues of system maintenance and the techniques required to effect incremental reform.[16] Fisher has documented how during the 1930s the Rockefeller Foundation searched for ways to use the social sciences to rationalize the social disruption occasioned by the nation's economic collapse.[17] The foundation provided significant support for the system-maintaining approach of the structural-functionalist school of sociology in the 1920s and 1930s, just as academic Marxism was bidding to gain disciplinary dominance.[18] The timing was not fortuitous, of course. The foundation elites were concerned to discredit a line of inquiry that might question the existence of the very institutions that they controlled and from which they benefitted. Alchon has documented how professional economists were incorporated into the lower echelons of the managerial constellation in the 1920s in exchange for their agreement to generate the kind of data required by the corporate and governmental elites. The role of the Rockefeller Foundation, the Laura Spelman Rockefeller Memorial, and the Carnegie Corporation were central to these efforts.[19]

The foundations have utilized the considerable leverage provided by their grants to stymie the investigations of critical-left researchers, while simultaneously supporting the research of those exercising a more "responsible" (read non-critical and supportive) mode of inquiry. C. Wright Mills' account of his dealings with the Ford Foundation is illustrative. Shortly after the publication of *The Power Elite* Mills approached the foundation with a modest request for a grant to support a study to be entitled "The Cultural Apparatus." The Ford officer who denied the request noted unequivocally that "the foundation had absolutely no intention of risking the support of work that might prove [to be] another *Power Elite*."[20] A few years earlier, in 1951, Ford officials had been concerned to discredit academic Marxism, particularly in western Europe, as part of the larger U.S. effort to prosecute the Cultural Cold War. Ford consultants hoped to subsidize a respected European scholar who would link academic Marxism with Stalinism, thereby discrediting the former while simultaneously encouraging adherence to more conservative theories.[21] Ford and Rockefeller also were heavily involved in the efforts of Congress for Cultural Freedom, a CIA derivative, to influence the perspectives of European and Third World intellectuals during the 1950s and 1960s.[22]

In the 1950s and 1960s a group of influential American social scientists elaborated a conservative reinterpretation of democratic theory. This new perspective argued strongly the importance of elite leadership of the polity, while minimizing the role of the nation's majority. These elements--the emphasis on elite leadership and the danger of popular participation--became staples of the subsequent theory of political development in the nations of Africa, Asia, and Latin America. It was the Cold War mentality that led to this reinterpretation of democratic theory and the subsequent conceptualization of a framework for Third World development congenial to American interests. This work was supported by the foundations, as was its publication and extensive dissemination.[23]

An important means by which the foundations have disseminated their ideology is by convening conferences (or by supporting other organizations to do so) to discuss particular issues. Such gatherings, frequently international in scope, are always highly selective in their participants. The proceedings from these gatherings are frequently published in book or monograph form. Because of their foundation sponsorship and list of respected contributors, these works frequently help to establish the parameters within which particular issues are subsequently discussed. Several Rockefeller-sponsored conferences dealing with Third World development in Bellagio, Italy in the 1970s fall into this category.[24] Fifteen years earlier the Carnegie Corporation had organized a comparable series of meetings, these concerned with African educational development.[25] Turn-of-the-century conferences on Black education in the South served the similar function of legitimating the perspectives of their sponsors, several of which were the foundations of the day.

Silva and Slaughter note how the reputedly apolitical intellectual worker plays his appointed role in legitimating the ideology of the resource holder, in our case the foundation managers. "The function of the expert," they note, "was ideological and technical: he offered the 'middle way' as a normative path with scientific grounding and devised technical apparatus for engineering the road."[26] Alchon elaborates by noting how "the technocratic bargin [struck among social scientists, business, the foundations, and government elites] helped to legitimate both an emerging managerial capitalism and the rising technocratic professions. It allowed elites serving capitalist purposes to appear as scientifically enlightened 'public men', and it gave the technocratic professions a sphere in which they were recognized as useful and authoritative."[27] Those critical of the foundations' activities have regularly argued that they are institutions "serving capitalist purposes," a contention that not only has brought a spate of hostile comment, but which also affords considerable research possibilities as well, as the next section suggests.

The Critique of the Critics: Where Do We Go from Here?

Those objecting to the critical interpretations of the foundations most frequently fault the critics' use of class as an organizing tool by which to investigate the institutions. They argue that the application of class analysis to the study of the foundations blurs the distinction between the founders sometimes rapacious activities and the organizations more contemporary concerns, when foundation officers resemble more closely managerial/technocratic elites than the robber barons of the Gilded Age. Those critical of the critics (COCs) claim the the latter focus too much attention on the dominant elites associated with the foundations, a preoccupation that prevents them from recognizing that 1) these institutions are not as omnipotent as they, the critics charge, 2) the foundations encourage a diversity of activity and pluralism of opinion that frequently places them in opposition to, for example, representatives of the state and the corporate/financial sector, and 3) the foundations' bureaucratic structure and management by technocratic elites effectively precludes the exercise of significant control by members of the ruling class. In short, the COCs reject the neo-Marxism of most of the critics, refusing to recognize its potential as an explanatory tool.[28]

The COCs antipathy toward the study of foundation (and most other American) elites is of course intertwined with their rejection of Marxism (in any variety) as an analytical tool. It is perhaps significant to recall that academic Marxism has less following in the United States than in most of the rest of the world. It is also worth reiterating that we must consider seriously the possibility that significant foundation funding at crucial periods in the development of the social sciences served to elevate positivism to its dominant position while depreciating the contributions of Marxism.[29] Most social scientists outside the United States recognize the legitimacy of Marxism as an analytical tool, even if they choose not to employ it. Not so in the United States. Why is this the case? Have foundation funding patterns had anything to do with this? Perhaps not, but we need to inquire into the possibility nonetheless.

The COCs allergy to class analysis also has the effect of deflecting attention from an examination of the relationships linking foundation officers and trustees to the upper echelons of the corporate and financial sectors and the policy-making levels of the federal government, linkages that are now well-documented.[30] simply defies credulity to argue, as do the COCs and foundation personnel well, that the previous experience of a foundation trustee or officer as a corporate executive or formulator of foreign policy is irrelevant to the decisions rendered in their roles as foundation executives. To put this issue more simply: are the major foundations part of an "independent sector," or are they an integral part of the American power structure? It behooves serious researchers to ask. On a related issue, we need to ask why American social science, frequently with foundation funding, has generated so many studies on various groups in the United States, but so few on the composition, activities, and influence of American elites. Is it mere coincidence that in the 1960s the foundations encouraged numerous studies of Third World elites, but none on those in the United States? Was the Ford Foundation rejection of C. Wright Mills' application an aberration, or the norm? Why is there such a paucity of information on the composition of foundation elites? Analyses of the foundations' activities that hope to have even a modicum of explanatory potential must locate these institutions in the context of the liberal capitalist state to which they are linked. The structural realities of this location will not disappear simply by being ignored. Researchers cannot neglect indefinitely the fact that the decisions made by these institutions derive from a combination of their location in the politico-economic structure and from the ideologies of those who direct them.

Another line of criticism, especially of Arnove's work and of my own, is that we assume that the foundations' attempts to socialize foreign students in particular ways was successful, but we provide no data to support this contention. I have mentioned above that this is a valid criticism, but one that can be subjected to an empirical test if researchers are willing to follow career patterns of former foundation-sponsored foreign students. Similar investigations of career patterns are equally in order for foundation-funded scholars. We know that some (but probably not many) have become critics, both in the disciplines and in area studies programs. But how many more internalized the domain assumptions taught in their graduate programs and never learned (or unlearned) the importance of critical inquiry in the social sciences? Before dropping this issue altogether, however, let me say that there is some evidence--as yet scanty, to be sure--to suggest that our argument is not without some merit. Ironically, some of this appears in a book generated and sponsored by the Rockefeller Foundation![31] This is a difficult assignment, to be sure, but one that might provide some important insights into one aspect of the foundations' influence.

I have suggested above how the foundations have been able to establish particular agendas that set the parameters for discussion of specific issues or that determine the directions taken by institutions in which the foundations have an interest. Let me conclude by mentioning several research possibilities in the field of public education that span the period from World War I to the present. The differences among the programs of the several foundations in this area are of course obvious, but I am more impressed by the continuity of policy--and of the ideological underpinnings that determine this policy--that can be observed if we track foundation activity longitudinally in one field.

The 1918 report issued by the Committee on the Reorganization of Secondary Education determined to a large extent the direction taken by American secondary education until, many would argue, the present. The National Education Association sponsored the study, but what is less well-known is that a crucial sub-committee report on social studies education was prepared by the Phelps-Stokes Fund's educational director. This report, later incorporated into the recommendations, argued the importance of a social studies curriculum modelled after that at Hampton Institute. The main purpose of the "new" social studies was for the purpose of establishing social control over the waves of immigrant children then flocking into America's high school. The language of the report and intent of the policy were quite explicit: societal stability could be insured if "those" people were controlled, and school curriculum was seen as a means of achieving this desideratum.[32] In the 1920s representatives of the General Education Board initiated a campaign to undermine the authority of local rural representatives who controlled school districts in several mid-western states. GEB officials hoped to replace popularly elected local officials with more technocratically efficient and apolitical administrators, who would view the problem of school administration and governance just as they did. Grass-roots democracy was expandable in the eyes of GEB officials because of the greater benefits that would accrue from their version of school management from the top down.[33] A decade later a coalition of officers from the GEB and the Rockefeller Foundation undertook a program that they hoped would lead to a reform of secondary education. Working surreptitiously through other organizations, the foundations' officials were concerned to make secondary education more "relevant" to the extensive dislocation and personal hardship wrought by the Depression. The commissioned reports noted the strengths of the existing socio-economic order, that the school was the most important agency to help "adjust" students to existing societal norms, and how a reformed educational system would solve the nation's social, economic, and political problems painlessly.[34] The message was clear: don't alter the structure, adjust the student; the schools need to be brought into line to accomplish this. The obvious questions are: were issues about school reform and control being addressed in an attempt to deflect attention from other societal, structural issues, such as the organization and control of economy or the functioning of the political order? If so, were these attempts purposeful? Or were there examples of the evolving technocratic mindset, encouraged by foundation policy, which attempted to replace politics with managerial rationality and technique?[35]

The foundations continued to sponsor educational studies in the 1940s, 1950s, and 1960s. These frequently helped to direct the discussion on the issues of school reform.[36] So it is today. The current spate of reports dealing with educational reform all derive from a common source: the shared concern about declining American economic productivity, particularly but not exclusively, vis-á-vis Japan's, and the weakening role of the United States in the world capitalist economy. The remedy lies not in short-sighted corporate practices (e.g., the emphasis on short-term profitability at the expense of significant investment in research and development, or poor labor-management relations), but in the schools. To address the problem the schools should place greater emphasis on those subjects that will contribute to increased corporate productivity: mathematics, the sciences, and high technology subjects. More resources need to be directed toward the "gifted" students, whose ultimate contribution to increased productivity is of the greatest concern. Today's reports have been sponsored by three groups: the state, the corporate/financial sector, and several of the major foundations, either directly or through other agencies.[37] These reports may well set the educational agenda for the next generation, and in that context we need to ask a very fundamental question: who will benefit if the majority of the recommendations are enacted? Those already advantaged, or the others? This issue raises the larger question about foundation activities, not only today but historically: who has been the main beneficiary of their activities over the years? Is the issue of school reform just the latest manifestion of the decision-making authority of, among others, foundation planning elites? Has their record to date been so glittering that we want to give them carte blanche to set the national educational agenda for the next generation? Are there researchers willing to inquire?

Notes

[1] See Desruisseaux, 1985.

[2] Curti, 1956.

[3] The literature on this subject is by now fairly extensive. See, for example, Anderson, 1975, 1978, 1980; Enck, 1971; Peterson, 1971.

[4] But the "radicals" did not leave the field to their enemies. See, for example, DuBois, 1921; Woodson, 1949, 1950.

[5] The three reports are Jones, 1917, 1922, and 1925.

[6] On the Africanization of the Tuskegee philosophy, see Berman, 1971; Heyman, 1970; King, 1971.

[7] Berman, 1972; Spivak, in press.

[8] Arnove, 1977, 1980a, 1980b, 1983; Berman, 1979, 1982, 1983; Arnove and Berman, 1984.

[9] Carnegie's teacher education emphasis is the primary concern of Murphy, 1976.

[10] See especially Fisher, 1983, 1984.

[11] This is a very important issue in its own right and deserving of more attention than it has received heretofore. Among the first attempts at establishing these linkages were Horowitz, 1968a, 1968b; and Schechter, Ansara, and Kolodney, 1969.

[12] See Arnove, 1983.

[13] See Berman, 1983, pp. 88-93.

[14] On the foundations and the social sciences, see Alchon, 1985; Bulmer, 1980; Fisher, 1983, 1984; Seybold, 1978, 1980; and Silva and Slaughter, 1984. On area studies: Beckmann, 1967; Berman, 1983, pp. 100-105; Horowitz, 1972; and Roberts, 1971. On modernization theory: Bodenheimer, 1970; Gendzier, 1985; O'Brien, 1972; Tipps, 1973.

[15] Several of the linkages are alluded to or mentioned in Alchon, 1985; Altbach, 1975, 1977, 1980; Coser, 1965; Karl and Katz, 1981; Kiger, 1964; Lasch, 1968; Silva and Slaughter, 1985.

[16] Cf. Domhoff, 1967, 1970.

[17] Fisher, 1983.

[18] Gouldner, 1971, passim.

[19] Alchon, 1985.

[20] Eakins, 1966, p. 525.

[21] Seybold, 1976, pp. 413-414.

[22] Berman, 1983, pp. 143-45.

[23] Gendzier, 1985.

[24] Berman, 1982, pp. 62-66.

[25] Specifics can be found in Heyman, 1970; Murphy, 1976.

[26] Silva and Slaughter, 1985, p. 123.

[27] Alchon, 1985, p. 52.

[28] Examples can be found in Bulmer, 1984; Eckstein and Noah, 1985; Lagemann, 1984; Pifer, 1979; Wheatley, 1984.

[29] Cf. Andreski, 1972; Gouldner, 1971.

[30] See, for example, Burch, 1980; Colwell, 1980; Domhoff, 1967, 1970, 1974; Shoup and Minter, 1978.

[31] Boeninger, 1982; Mabogunje, 1982.

[32] Lybarger, 1984.

[33] Madison, 1984.

[34] Biebel, 1976.

[35] Cf. Karl, 1976.

[36] See Buss, 1980; Weischadle, 1980.

[37] For an attempt to place this issue in an historical framework, see Berman, 1984.

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THE MORAL BASIS OF CAPITALIST PHILANTHROPY

by
Barry D. Karl

Prepared for
The Impact of Foundation Philanthropy
on Society Here and Abroad Panel
March 14, 1986

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The Moral Basis of Capitalist Philanthropy

by

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Although American writers on the subject of philanthropy are inclined to emphasize the unique origins of the modern philanthropic foundation, it is important to recognize the institution as the American response to some of the same social and industrial conditions that were exciting European governments to produce the beginnings of what we now call the welfare state. Under growing political pressures from social reformers, labor movements, and adherents of socialist critiques of industrialization traditional European political leaders were searching for reform measures that acknowledged the changed reality that many Protestant denominations and the Catholic Church now clearly saw as requiring new conceptions of social responsibility.

The chief significance of such measures lay in their view of the social conditions produced by industrial capitalism as requiring some fundamental review of the moral underpinnings of industrial society. Traditional views of poverty were brought into serious question. The poor were no longer to be considered evidence of distinctions sanctioned by God and nature. The responsibility of the state for caring for the poor was extended beyond traditional approaches to charity and punishment to an examination of the industrial conditions that helped create and exacerbate the problems of poverty. Employment and the conditions of employment entered the debate.

That collection of new arguments was as important to Socialist and Christian reformers as it was to Capitalist philanthropists funding scientific research and Progressives attempting to define Social Justice. Among non-Marxist reformers it signified the development of a new moral ideology that used traditional conceptions of religious responsibility to raise new and disturbing questions about the role of the state.

Between 1870 and 1900 Americans had experienced conditions of industrial unrest that produced movements less cohesive nationally than those developing in Great Britain and Europe, but no less intense as isolated explosions. The high degree of organization among the nation's discontented farmers did not lead to a similar and associated movement among the nation's workers. No labor party came into being to represent in the national political structure the industrial discontent that, by contrast with conditions elsewhere in the world, was mitigated by cyclical economic conditions and a remarkable unwillingness on the part of Americans to view their national government as a focus of anything more than the traditional, specific debates over currency and tariffs. Not until the eve of the First World War would Congress begin looking for ways to formalize a federal policy on labor issues. While a concern for the well-being of women and children in the labor force led to the development of federal programs in the Progressive era, more general federal welfare programs did not emerge until the New Deal.

Part of the reason for that unwillingness can be attributed to the compromises that ultimately concluded the Civil War. The South, accepting its status as a conquered province in return for its dominance of the Democratic party, was destined to protect itself from the potential social effects of federal social programs on both negro and white poor until after the Second World War. Not even the New Deal dented that armor in anything but the most token fashion.

Similarly, although for reasons that had much more to do with their experience as territories and their successful achievement of statehood, the western states maintained a vigorous independence from federal interference. A tradition of states rights, of local control of the most fundamental of social instruments, the public schools, and a chronic suspicion of politics as an inherently corrupt method of doing anything helped prevent the growth of a national welfare program similar to those being developed abroad to cope with conditions not altogether unlike those Americans were experiencing. Although we are accustomed to thinking of the Progressive era and the New Deal as the major transformations of national welfare policy, it really isn't until the administrations of Lyndon Johnson and Jimmy Carter that we can see the real beginnings of federal social policy that has the genuine markings of a national welfare state.

For not until the late 60's do we get the creation of federal administrative bureaucracies that begin to control federal policy at the state and local levels.

Thus, if one raises the question of motivation in the development of modern American philanthropy, one must distinguish between at least two. One has to do with the philanthropists themselves, that is, with millionaire businessmen who were willing to create large innovative structures to control the management of their resources for public welfare, and, at the same time with public attitudes that found such actions an acceptable substitute for something that appeared even more threatening, the creation of federal standards of welfare policy that would inevitably attempt to standardize local customs and beliefs, chief among which was the conviction that local politics was inherently corrupt. Indeed, one could argue, the two threats--a private millionaire elite influencing public policy and a corrupt political bureaucracy manipulating public money--constitute the Scylla and Charybdis of American attitudes toward social welfare.

The relationship of foundation programs to what we now call "public policy" has not always been as clear as it has come to be today. Foundations began their activities in response to local and national needs that many local governments were serving only sporadically when they served them at all, and that the federal government tended to avoid entirely. Health care, social welfare policy, and the research both were dependent on for establishing new ideas and methods were not considered public policy because the public confined its funding of such activities to its care for the very bottom of the social pyramid where charity, not philanthropy, limited the recipients of such services and the skills that were provided.

Given the character of American federalism and the tradition of local control, the variation in quality from community to community was enormous, ranging from some fairly imaginative programs funded by philanthropic elites in cities like New York and Chicago, to the ad hoc community supports characteristic of rural religious groups. Southern blacks probably received the widest and strangest kinds of support as northern foundations attempted to fund medical and education programs that local white southerners considered either irrelevant or threatening by turns. Later critics would see such programs as a support for southern segregation but without adequate consideration of the problems the post Civil War modernization of the south really raised. They would also see in them the inherent racism that was as characteristic, often, of northern white attitudes toward blacks as it was of southern beliefs. A generation that saw racially determined behavior as an element in all ethnic groups--immigration policy was built on such racial-national definitions of character--not isolating blacks by assuming a characteristic kind of behavior and adjusting educational practices accordingly. Many Americans of that era were inclined to relate behavior and ethnicity in genetic terms.

Only in the last four decades, in the aftermath of the New Deal and the public's profound suspicions of the support programs it provided, has public policy come to cover a range of activities that include not only health and welfare but the arts, once the protected province of private wealth. The consequences have been profound, particularly where our ability to distinguish between private and public is concerned. The invention of terms like third or independent sector and the avoidance of the use of private to characterize institutions that draw their funding indiscriminately--and necessarily--from private and public sources alike is an effort to preserve a sense of separation that may no longer exist.

From the earliest attacks on John D. Rockefeller's supposedly "tainted" money, through the anti-labor accusations launched by the Commission on Industrial Relations hearings in 1915, the populist critiques voiced in successive Congressional investigations in the 1930's and 1950's, and culminating perhaps in the political transformations foundations were criticized for fomenting in their voter registration drives in the mid 1960's, foundations and philanthropy have been a periodic subject of political debate.

It is worth pointing out that a common if somewhat confusing thread of that debate has been constant. Foundations have been viewed as both conservative supports of a reactionary Capitalism and as Trojan horses carrying left wing ideology into the center of the camp of American free enterprise. They have been accused of fomenting revolution and suppressing it.

Yet to suggest that the debate itself has remained constant would be a mistake that would seriously distort the dynamics of foundation development over the last three quarters of a century and make a thoughtful analysis of the present virtually impossible. For increasingly in the years since the Congressional battles of 1968 and 69, the debate has taken on an ideological sophistication that is far more complex than any of the previous arguments. Despite all the warnings reflected in the legislative history and in rulings of the Internal Revenue Service, there are foundations clearly in support of or opposition to government policy, determined to influence that policy by supporting relevant research, public debates, and by amassing popular support through public relations endeavors that would once have been confined to childhood diseases or health care for the poor.

One should be careful to point out that some of this is new only in a curiously relative way. Foundations engaged in supporting such traditional Progressive issues as low income housing, birth control, and the welfare of the urban poor were acting initially in the absence of large scale public involvement in such issues. While today's foundation concern with arms control may offend those who consider that topic an exclusively governmental issue one must still remember that Andrew Carnegie's Endowment for International Peace was one of his earlier philanthropies.

To the extent that New Deal programs in the area of domestic public welfare instituted national public support for traditional private or local concerns, they did so only in a limited way deliberately designed to support the older private system as well, not to replace it. What changed in the 1960's was not only the degree of public involvement but the assumption in many circles that public involvement was being carried on in ways that would ultimately, and rapidly, make private support irrelevant unless private agencies could target their interests so precisely that they could maintain their distinctive independence from government.

While no one seems to have anticipated it, that private energy, even before the Reagan administration's request that private resources "take up the slack," gradually moved into a position not simply of providing alternatives that government was not offering or supporting modestly those programs that government was committed to but of creating what now must be called "critical alternatives." Such alternatives meant increasing--and often unintentional--evaluations of what government was doing that could only be considered critical. Such criticisms were initially only implicit, although obviously not lost on those being criticized. George Wallace's sparking of the Congressional attacks that led to the Tax Act of 1967 was a direct response to the criticism implied by the voter registration drives northern foundations were funding in the south. We are more sophisticated today. There is nothing implicit about the private funding of research in arms control, Central and Latin American policy, or, indeed, any of the other issues which involve disagreements between private philanthropic groups and the federal government on issues of public policy.

Putting it that way obviously risks grabbing the knife by the blade rather than by the handle. Let me step back for a moment and take a wider historical frame for the picture I am trying to paint. After all, even with the prospect of threatening change before us, there are still constants that it might be useful to describe. Such constants may suggest the useful limits that historical experience places on the debate; but trying to spell them out may require the revelation of some complex assumptions that are equally disturbing.

My title is intended as a way of summing up the contradictions inherent in the both the defenses of American philanthropy and the criticisms of it. It is also designed to put up front, so to speak, the critical issues that so often operate as assumptions in the debate or as weapons that only one side uses. Since I am limited in the amount of space I can take for what obviously is a complex problem, I will work by attempting to formulate what seem to me the essential questions, without claiming that I will produce definitive answers.

We are accustomed to examining the religious motives that historians believe have long been the mainstay of charity and the foundations of philanthropy. Historians and social theorists have also traced the relationship between Protestantism and

Capitalism, suggesting the transformation that took place when the supports for charity in Canon Law of the Roman Catholic Church were replaced in Protestant societies by what we now consider public laws for dealing with poverty. While the distinction between public and private as we understand it today can only loosely be applied to those early periods, if indeed it is appropriately applied at all, certainly the beginnings of the motivation that supported the initial American philanthropists in their establishment of foundations can be found in the earlier concepts of Christian charity, stewardship, and responsibility of those who had benefited from what they understood as God's blessings for those who had not. They can also be found in the recollection many immigrants brought with them of the punitive treatment of poverty abroad by poor laws and debtor imprisonment.

What is missing from such arguments, however, is the critical burden placed on such ideas by the development of modern industry, its relation to the problems of urbanization, its capacity in its initial stages to produce individual fortunes of incredible proportions for people who were, in various ways, newcomers on the social scene, the new conception of class structure such differentials of wealth produced, and the effect of such changes on the growth of popular democracy in the nineteenth century. One can continue to say that the poor are always with us, but whether they or rural or urban, whether they are part of a peasantry trained to accepting hardship or an industrial labor force striving to improve itself and thrown back into poverty by conditions they do not understand is going to make a considerable amount of difference. Americans today are only beginning to understand the idea of a permanent underclass and are still very confused about their attitude toward it.

While historians are accustomed to pointing out the revolutions in social hierarchy that Protestantism and the rise of Capitalism helped produce, the commitment to various theories of democratic government that revolution engendered has made it difficult to see that industrialization produced a hierarchy of its own that social or economic class theories have not always been able to handle. A hierarchy of skill, intellect, and training went hand in glove with more traditional hierarchies of birth and wealth. While the two sets of hierarchies were really quite different from one another, their interdependence created a whole new set of relationships.

For well over a century now industrial Capitalism has been viewed as the cause of the problem, and Marxism or various forms of Socialism as the answer. That formulation of the problem has always made it difficult for non-Marxists to find ways of defining and justifying the answers to the dilemma that industrial Capitalism has tried to argue. The reason for that difficulty is not hard to find. Industrial Capitalism did indeed create a new and difficult set of problems for western society. The question of whether the transformation that produced the problem could also produce the solution was bound to be disturbing.

When the debate is couched in Marxist terms, that is, as producing conflict that has to be resolved, either by class warfare, as Marx predicted, or by the development of legal structures that protect the various sides in the dispute and force them to adjudicate their differences peacefully, as American progressive reformers from reform era to reform era have seen it, the problem of definition and description becomes acute. The fact that both Marxists and non-Marxist liberals have accepted the conflict as real is a product of the commitment to democracy that has made equality a cry that must be heard and a standard that must be used to measure and justify economic differentials.

The unacceptability of nonegalitarian terms to both sides has done a great deal to complicate the debate. Since neither Marxist nor non-Marxist societies have succeeded in producing egalitarianism, the argument obviously makes resolution difficult. Even societies dedicated to the most egalitarian of beliefs have faced problems with bureaucratic elites who manage them. The fact that it might be possible to side-step that difficulty rests on a willingness to accept an unacceptable argument, at least for a moment.

If one starts with the assertion that absolute equality is an historical impossibility but that some inequities are more understandable than others, one can get closer to an interpretation of the function that foundations in American society have traditionally served. It is a function that, unfortunately for the rhetoric we are accustomed to using, requires an acceptance of degrees of elitism that fit uncomfortably, to say the least, with conceptions of egalitarian democracy. There is, nonetheless, a distinction to be argued between a meritocratic elitism designed to retain open access for all of those whose educational skills and talents qualify them for advancement, and an elitism based on birth, wealth, and social position. Access to training and skill has come to depend essentially on access to the institutions in which training takes place and then access to the professional ladders on which advancement depends. While the process has been slow in the years since the first foundations began to influence it--and remains even today highly imperfect--there is no question that, stage by stage, foundations have been essential to the expansion of the numbers and the demographic composition of the nation's leadership in public and private affairs. Where federal policy has been either non-existent or restricted by political considerations, foundations have been free to respond to social and intellectual pressures for the expansion of opportunity for new groups.

The emphasis upon education and science in the development of the modern foundation provides, then, a perspective on the purposes of the original donors that can be used either by critics or defenders of foundations. John D. Rockefeller and Andrew Carnegie were both men of modest origins whose careers were shaped by the extraordinary economic and industrial conditions of the post-Civil War era. Their interest in education and science arose most likely from two conditions. Conscious of the intellectual demands of modern technology and the need for trained management, they sought institutional support for broadly expanded educational opportunities and research agendas in those areas they understood as essential. Conscious of their own origins and, in their Alger-like ways, eager to provide those opportunities for future generations of men like themselves, they sought to spread those opportunities throughout the country.

Committed to the preservation of Capitalism and free enterprise, they were nonetheless equally committed to expanding opportunities for advancement in the system that had made them wealthy. Aware of the transformations in that system that had taken place throughout their careers, they believed that scientific research could improve the system itself, making it more stable and more productive. Their morality, transformed from its initial religious base, rested on their view of science and education as liberating forces and on their conviction that politics and the state were inherently limited, frequently dangerous, and potentially immoral forces. Rather than seeking control of the State, they struggled to limit it. They shared such beliefs with the middle-class Americans who were engaged in building and supporting the Progressive movement, even though neither Rockefeller nor Carnegie would have accepted that designation, in part because American progressives had decided to achieve their aims through politics and the establishment of a political party. After all, one of the essential paradoxes of Progressivism remains the Progressives insistence on creating a political party designed to attack everything that parties had come to stand for.

The apparent paradoxes involved in such descriptions all point to the same conclusion. It is difficult to assign class consciousness to that first generation of donors. It is also difficult to find a political consciousness that is appropriate to their wealth and status or that makes it possible to equate their beliefs with the attitudes of their counterparts abroad. The creation of the modern foundation remains an historical event more remarkable for its uniqueness in western history than for its obedience to the patterns of development that characterized European thought of the period. We may only be at the threshold of our understanding of what that means. We need a definition of Capitalist morality that is limited neither by the attacks of its critics or the claims of its defenders. It is a continuing problem in our approach to one of the most important historical developments of the last century.

SECTION FOUR - CORPORATE GIVING

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PROBLEMS IN THE MEASUREMENT OF CORPORATE CONTRIBUTIONS

by
Hayden W. Smith

Prepared for
Corporate Giving Panel
March 14, 1986

About the Author: Hayden W. Smith is Senior Vice President of the Council for Financial Aid to Education, New York.

PROBLEMS IN THE MEASUREMENT OF CORPORATE CONTRIBUTIONS

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The measurement of corporate contributions poses three sets of problems. The first is conceptual: Precisely what is it that we wish to measure? The second is practical: What are the sources of data and how valid are they from a statistical point of view? The third relates to percentage expressions that enable one to make comparisons between donors or groups of donors, comparisons between periods of time, and comparisons against various norms.

Some of these problems were addressed in the attached material, which consists of the first two appendices in A Profile of Corporate Contributions, published by the Council for Financial Aid to Education in 1983. While the situation today is much the same as it was when those appendices were written, there is a need for a somewhat more fundamental look at the three sets of problems indicated. That is the purpose of this paper.

The Conceptual Problems

It is well that we remind ourselves of the necessity to be clear about our subject. There is an old saw to the effect that, "If you want to count bears, you need to know what a bear is." The same applies to corporate contributions: we need to know what a corporation is and we need to know what a contribution is. Those of us who work in the field know that there are a number of conceptual problems in the definition of both of these terms.

Let us begin with the question of what precisely we mean by the term "corporation." Which entities out there are the ones in which we are interested? Clearly we are not concerned with all corporations qua corporations; there are municipal corporations such as cities, towns, and villages, and nonprofit corporations such as Independent Sector, several thousand philanthropic foundations, and untold numbers of private charities. No, we are interested in the for-profit, business corporations.

But we have a further question: are we interested in only business corporations and, if so, are we interested in all business corporations? If we include only the for-profit, business corporations, we necessarily exclude all business entities organized as partnerships and proprietorships. Do we really want to do so? After all, there are important areas in the business community in which the dominant form of the enterprise is the partnership; firms in accounting, law, architecture, and a variety of financial services come immediately to mind. They function in all relevant respects as though they were corporations, and many of them have sizeable contributions programs as firms, contributions that are separate from the contributions made by the partners as individuals. If information about the contributions of these partnerships were available, most of us would like to include it as though these firms were in fact business corporations.

Another example: there are now many tens of thousands of enterprises known as limited partnerships that were organized as tax shelters, primarily in real estate, in oil and mineral prospecting, and in other high-risk fields. In most instances the limited partners are individuals, but the general partner is often a corporation and any of the limited partners can be a corporation. We know virtually nothing about the contributions of such ventures, although it is probable that the amounts are relatively small. They may, however, grow in the future, and if they do are we to treat such giving as corporate or individual? Such questions remind us that we live in a dynamic world in which change is commonplace.

The inverse problem: do we include all business corporations just because they are corporations in the legal sense? There are many small enterprises that are incorporated but in reality they are partnerships or proprietorships. In 1982, the Internal Revenue Service received income tax returns from 2,925,619 corporate entities; today the number is certain to be well over three million. The vast majority of these entities...roughly 90 percent...are very tiny firms by any measure of size, and they constitute a very small portion of production, employment, income, and other indices of economic importance. Are these enterprises really a part of the "corporate community" as it is commonly viewed when we measure corporate contributions? Yes, they are corporations in the legal sense of the term, but functionally they are much more akin to proprietorships and partnerships than they are to the corporate giants that dominate the economic landscape. And their contributions parameters differ significantly from those of the 8,000-odd publicly-held corporations that are required to register with the S.E.C.

In the best of all possible worlds we would probably like to exclude these small "corporations." The rationale is that they are corporations-by-convenience; they are closely held by individuals and/or families and are essentially proprietorships and partnerships in disguise. There is no significant difference between their contributions and the contributions of their owners; such individuals may easily choose to make their contributions either through their personal accounts or through their corporate accounts, depending on the possible tax advantages of one route over the other, how they wish to have their contributions perceived, and other considerations -- including whims of the moment.

This is, however, not the best of all possible worlds. While the available data do provide us with the means of excluding small companies, they do not provide us with the basis for selecting the small companies that we wish to exclude. Any exclusion, therefore, would be based solely on some arbitrary criteria related to size alone. The available data also do not enable us to include some of the large, noncorporate business enterprises that we might like to add in on conceptual grounds. This is obviously a subject in which further research would be productive.

Not all corporate contributions are received by grantees directly from business corporations, but if the funds are derived from corporate sources we should like to ensure that they are included. Some corporate contributions are channeled through business trade associations, such as the American Petroleum Institute, the Wholesale Grocers Association, the Edison Electric Institute, the Automobile Manufacturers Association, and hundreds of Chambers of Commerce and other similar business groups. For the most part, the income of these associations is derived almost exclusively from dues paid by member corporations, and sometimes there is an understanding that a portion of these dues payments will be used for charitable purposes. Ideally we should like to allocate the contributions made by these associations to the corporate world, but this will have to wait for specific research efforts to determine the best sources of information and the amounts involved.

In passing, it should be noted that a different problem arises in instances where a trade association establishes a private foundation to which its members make contributions for a collective purpose. The American Electronics Association, for example, has organized the Electronics Education Foundation, with a funding goal of $10 million, to be used for fellowships in electrical engineering and related disciplines at colleges and universities. The Foundation's grants clearly represent corporate money, which means that we want to include them in the corporate total; but we need also to exclude the funds given to the Foundation in order to avoid double counting.

This brings us to the question of corporate foundations in general and how they should be treated in the measurement of corporate contributions. In order to present a meaningful measure of total corporate giving -- one that corresponds to the total of gifts, grants, and contributions received by charitable organizations from corporate sources -- we have traditionally thought in terms of the consolidated giving of corporations and their sponsored foundations, with an elimination of the money given by the corporations to their foundations. Again, this is necessary to avoid double counting.

We need to avoid another kind of double counting, one that would arise if corporate foundations were included in the data for both corporations and foundations. This would involve the precise definition of a corporate foundation and the development of criteria by which the data for these entities could be separated from those for all other foundations.

In conceptual terms, corporate foundations are quite different from other foundations; aside from their legal status, tax treatment, and the fact that they both make grants, they have little in common. Corporate foundations are "vehicles of convenience" for their sponsors, who, unlike individuals, have perpetuity of life. They are established primarily to insulate the recipients of their contributions from the ups and downs of the profits cycle. Corporate foundations are governed, managed, and staffed almost exclusively by executives of their sponsoring companies, their programs are structured to reflect corporate interests, and they function in all relevant ways simply as channels for corporate giving. All these considerations dictate the wisdom of including in the data on corporate giving the grants disbursed by these entities, and simultaneously excluding such data from those on foundation grants.

Let us turn to the second question: what is a contribution as opposed to a noncontribution? This question appears to be an easy one, but it is deceptively so. The definition in Section 170(c) of the Internal Revenue Code simply states that "the term 'charitable contribution' means a contribution or gift to or for the use of..." any organization that qualifies for inclusion in one of the five categories of defined charitable recipients. Obviously this definition is not much help.

For the corporate community in particular, there are numerous cases in which payments are made to charitable organizations that are clearly not contributions and there is a gray area between these payments and those that unquestionably are. A few general examples: (1) the corporate underwriting of a cultural event -- a concert, a play, an exhibition -- may be a contribution, but it may also be advertising or public relations, and there is no uniformity of treatment across the corporate community; (2) the support of research programs and projects at a university or a hospital, which may be treated as contributions or as business expense depending on the terms under which the grants are made; and (3) payments to an agency for the provision of community services of which an appreciable part are used by company employees. In all these and other similar instances, there are criteria that can be used to sort out specific transactions that are contributions from those that are not, but such criteria have not been codified or generally accepted. The result is that there are many *ad hoc* decisions made in this area and widespread inconsistencies in the classifications used in reporting.

There is a need for clarification and uniformity in this area as well as for guidelines to which there can be general agreement by the corportions themselves, their donees, government agencies, and other interested and affected parties. And such guidelines need continually to be evaluated so that they are up to date in terms of the actual relationships between corporations and charities.

There have emerged new problems in the area of noncash contributions. Gifts of securities and other forms of property that have a quoted market value readily available, and which can be liquidated easily, have not posed much of a problem. This is not quite as true in regard to the valuation of other kinds of property. Real estate, structures, works of art, used machinery and equipment, even intangibles like patents and copyrights, are no more of a problem in corporate giving than they are in individual giving; the use of disinterested, expert appraisals is the only practical method of establishing a value for such gifts that can be accepted by donors, donees, the IRS, and others. The problems arise in connection with gifts of other property and services, often referred to as "gifts-in-kind."

The major problem area today involves gifts of company products and the valuation provisions of section 170(e) of the Internal Revenue Code as regards such "gifts of inventory." Prior to the Tax Reform Act of 1969, corporations could make such gifts and use the fair market value to calculate their tax deductions. After 1969, inventory gifts could still be made but they had to be valued at production cost. The Tax Reform Act of 1976 added subsection 170(e)(3) which made an exception for gifts destined for the care of the ill, the needy, and infants. Qualifying products could then be valued at cost plus half the difference between cost and fair market value, with a limit of two times cost. Even with the added incentive of this enhanced deduction, gifts of inventory were of minor importance until about four years ago when the provisions of the Economic Recovery Tax Act of 1981 (ERTA) became effective.

The ERTA addition is subsection 170(e)(4) which applies to certain contributions of scientific property used for research; the enhanced deduction provided for gifts of 170(e)(3) property now applies also to gifts of 170(e)(4) property. As a direct result of this change, we have witnessed an explosion of gifts of company products -- principally gifts of equipment by manufacturers of computers and other electronic equipment to colleges and universities. The problem arises in regard to the measurement of corporate contributions: what value should we use?

This is not a trivial question. The most reasonable estimate of the total of this kind of corporate giving in 1985 would be of the order of $350-400 million, roughly 10 percent of total corporate contributions! But this figure is based on fair market value (typically list price), which is the only value that donors typically supply to donees (anything related to production cost is normally regarded as confidential information). For tax deduction purposes, however, the values declared by donors for their 1985 gifts of products will be of the order of $150-200 million, depending, among other things, on the mix of products that qualify for the enhanced deduction and those that must be deducted at cost. Since we rely on the IRS tabulation of corporate income tax returns for our information on total corporate contributions, we will get a figure that includes these gifts valued at the lower of these two bases. If we were to rely on the information provided by donees, such as the data obtained in the annual Survey of Voluntary Support of Education, we will get a figure that includes these gifts valued at the higher base. A gap of the order of $200 million, which is about five percent of total corporate giving, can lead to nothing but confusion and is therefore highly undesirable. Further research on this problem is indicated, but it is doubtful whether the fundamental problem can be resolved unless the valuation rules are changed.

The remaining questions about noncash contributions have to do with the donation of executive time, the use of company facilities, the provision of free services, the lending of money at below-market rates of interest, discounted sales, and similar forms of gifts-in-kind by corporations to charities. There no question but that such contributions are desirable; "corporate assistance" of this kind is of importance to the recipients and often makes possible a variety of activities that would otherwise be impossible, or at least very difficult, and they are of great value from a social point of view. In the measurement of corporate contributions, however, the inclusion of these kinds of things is questionable. They are clearly not tax deductible as contributions and are therefore not included in the IRS tabulation of corporate contributions from tax returns. Aside from that practical difficulty, there are complexities in the valuation of such donations that appear unsurmountable. Finally, from a purist's point of view, they are not the kinds of things one normally has in mind in thinking about corporate contributions, any more than volunteer time is in relation to the contributions of individual donors.

The Sources of Data

For the foreseeable future, we will have to rely on the tabulations of corporate income tax returns prepared by the Internal Revenue Service as a source of comprehensive data about corporate contributions. There simply is no alternative.

The material in the attached appendices that relates to the deficiencies of the IRS tabulations of corporate contributions still applies to the historical data, and there is little that can be added here. One of those deficiencies, however, may now be without force as a result of recent changes in the tax law, and that has to do with the tax treatment of mutual insurance companies and similar corporations. To the extent that such companies may now be motivated to report their contributions on their tax returns, the tabulations will be more accurate, but this will introduce a small discontinuity into the historical series. It would be useful to survey the affected corporations to get some notion of the magnitude of the differences; such a survey should be done without significant delay, otherwise records may become unavailable and memories may become unreliable.

The most significant adjustment of the IRS data that is needed to bring those figures into line with the corporate contributions concept discussed above is the subtraction of company contributions to their own sponsored foundations and the addition of the grants made by corporate foundations to charitable organizations. Until recently, there was very little information available with which to make even crude estimates of these two figures on a consistent basis for more than a few years. Hopefully, we are now at the point where reasonably good estimates can be made, at least for the past 15 or 20 years.

A forthcoming publication of the Council for Financial Aid to Education will include this adjustment on a trial basis. Any estimates of this kind will, of course, be subject to revision as more and better information becomes available, but even these preliminary efforts will present a more accurate annual series on corporate contributions than any now available. It is well known that the IRS data tend to understate total corporate giving during periods of sluggish or declining corporate profits and to overstate such giving during periods of robust and rising profits. The planned adjustments will take us a long step toward the presentation of accurate figures on corporate contributions.

Yet to come is research on the carryover problem. The IRS data reflect what corporations reported for a given year on their tax returns, not what they actually gave. Prior to 1982, corporations were limited to five percent of taxable income for their contributions deductions, and any excess could be carried forward to future years. As a result, some of the contributions reported in a given year were actually made in prior years, and some of the contributions made in a given year were reported in subsequent years. No one knows the magnitude of this deficiency in the IRS data, but it may well be significant. An analysis of the 1981 and 1982 tax files, which include one year with the five percent limitation and one year with the ten percent limitation, suggests that the amounts were appreciable, but it is still too early to be certain. Research on the remaining deficiencies of the IRS data is still desirable, but appears to be of less urgency than that indicated above.

There is another well-known problem, one that has to do with the time when the IRS data become available. Obviously, the IRS cannot tabulate corporate tax returns until they have been filed by the reporting corporations. Because of the complexity of the Internal Revenue Code and intricacies of many corporate operations, most large companies routinely obtain extensions of time to file their returns. Add to that the fact that the tax data for a given year include companies whose fiscal years end up to six months after the end of the calendar year, and it becomes readily apparent that no meaningful tabulation can possibly be completed for at least eighteen months following the close of the given year. The tabulation process itself and the sampling procedures employed add another year, and the result is that we have to wait nearly three years for this definitive information.

In the meanwhile, we must make do with whatever information we can get from sample surveys and other sources to prepare estimates of what the IRS data will ultimately show. The indicated time lag means that all the published figures on total corporate contributions for the three most recent years are estimates. Today, for example, the latest year for which we have the IRS data is 1982, and we have only estimates for 1983, 1984, and 1985.

Most of these estimates are prepared at the Council for Financial Aid to Education and made widely available through a variety of publications by other organizations. The principal sources of the data upon which our estimates are based are surveys of corporate contributions, surveys of corporate support of education, and surveys of voluntary support of education. These surveys have varying degrees of utility, depending on the time when the survey results are available and the size and character of the samples.

For example, the annual Survey of Corporate Contributions, which is jointly sponsored by The Conference Board and the Council for Financial Aid to Education, begins about three months after the close of a calendar year and the tabulations are completed about five months later. This means that our estimates for a given year cannot make use of the survey data until August or September of the following year. The American Association of Fund-Raising Counsel, which publishes Giving USA, needs an estimate of corporate contributions in late February or early March. Consequently, the estimates in Giving USA are of necessity quite preliminary and subject to a series of later revisions.

This problem of timing is likely to be with us for many years. One can imagine the day when a significant number of donor corporations are hooked up to a large central computer somewhere and information on all grants from these corporations and their foundations are fed into it, perhaps at the time they are made. Then, Presto!...shortly after the first of the year one need only push a button or two to obtain the data that is needed for a reasonably accurate estimate of total corporate giving in the year then just ended.

A more fundamental problem lies in the adequacy and validity of the data that is available from survey samples, such as the companies that take part in the annual Survey of Corporate Contributions. Historically, these samples have included as many as 800 and as few as 400 companies, both of which are clearly small numbers in comparison to the 8,000-odd companies that are registered with the S.E.C. and very tiny in comparison to the three million-plus companies in the corporate universe. The tabulations of data from the companies in the surveys, and the statistics calculated from them, are often taken to be characteristic of the entire corporate community. In point of fact, these statistics are characteristic of only the companies in the samples.

Like the man who patronized the crooked crap game because it was the only crap game in town, we will have to rely on these survey data for much of our needs because they are for all practical purposes the only data we have. But it is important that we recognize the inherent limitations of this survey and not read more into the numbers than is there to be read.

First of all, for reasons of practicality and cost, the survey is limited to the major corporations in terms of size. The survey forms have typically been sent to between 2,000 and 3,000 companies, primarily those on the *Fortune* lists; no forms are sent to smaller companies at all. Therefore, the survey design precludes its being a stratified, random sample of the entire corporate universe.

Secondly, the response rate has varied between 20 and 25 percent, which, although very good for mail surveys in general, is inadequate for any kind of definitive analysis. Moreover, there is a selection bias of unknown character against the survey on the part of the companies to which the forms are sent; we simply do not know whether the companies that actually report their data in any given year are more or less representative of the corporate community, however defined, than those that do not.

Despite these limitations, we do know that the samples include companies whose contributions account for a disproportionate share of total corporate giving. In the last 11 years, for example, the participating companies have accounted for between 32 percent and 41 percent of the total contributions reported by the IRS. This is hardly surprising, because the large corporations, although small in number, do account for most of the giving. From the IRS data we know that in 1977 some 1,719 companies with positive net incomes, those reporting $100,000 or more in contributions, accounted for nearly 65 percent of all corporate contributions. In 1982, there were 2,316 profitable companies in the $100,000-and-over classes and they accounted for nearly 70 percent of the contributions of all companies. The problem is that we do not know how the companies in the survey, nearly all of which are in this $100,000-and-over class, are distributed relative to those in the IRS file according to any characteristic whatever.

This is not an unsurmountable problem and will be solved by research projects now being contemplated. All that is necessary is to match the survey companies by contributions levels, asset size, and other characteristics against the distributions in the IRS data for common periods of time. Until that is done, however, the survey data must be treated cautiously. The participation or nonparticipation of a comparatively small number of large companies can have an appreciable effect on the survey numbers, and since the sample of companies in any one year is different from all other years' samples, the year-to-year comparisons are of very limited value.

We have tried to correct for this year-to-year variation in the composition of the sample by extracting from each year's returns those companies that also took part in the previous year's survey. This procedure gives us two successive years' results for a fixed sample of corporations, and that is the best single clue we have to the year-to-year changes in corporate contributions. However, a comparison of these year-to-year relatives with the actual year-to-year changes in the IRS totals for the period 1973-1982 reveals that the samples performed well in only two out of the ten years. In fact, if one were to link these year-to-year percentage changes for the survey samples over the period 1973-1982, the IRS total for 1982 would have been overestimated by more than $1 billion, or 35 percent! This is not as bad as it looks; if we had known the actual IRS figure for each previous year and applied the sample percentage changes to them in sequence, our average absolute error would have been only seven percent. Still, that is not good enough.

There is another area in which we know that the survey samples fall far short of depicting the performance of the corporate world as a whole, and that has to do with the calculation of total contributions as percentages of corporate income and assets. The comparisons are not exact because we do not have a figure for the total pretax net income of all corporations; we have to use the national income estimate of corporate profits before tax, and, as discussed in the appendices, there are important conceptual differences between the two numbers.

But the fact is that year in and year out the percentages of contributions to income and assets for the samples are substantially less than the percentages for the entire corporate universe. The reason for this lies in the surveys' exclusive coverage of large corporations. Our survey samples themselves, as well as the IRS data, show that the large companies give less relative to their income and assets than the small companies do. This is a vivid illustration of the fact that the survey sample statistics are characteristic of only the companies in the samples.

"Contributions as a Percentage of What?"

There is extensive discussion of this subject in the attached appendices and very little can be added at this time. Imperfect though they may be, most of us continue to rely on the contributions-as-a-percentage-of-pretax-income statistics to make comparisons between companies or groups of companies, comparisons over time, and comparisons against objectives and other norms.

There is, however, one problem with this concept that has not previously been examined in any detail. Where all or most of a company's contributions are disbursed through its own foundation, is it appropriate to compare the foundation's grants to the company's income, assets, or other financial measures? The question is especially important if the foundation is fully funded or funded to a very substantial degree, because the grants made by the foundation in these cases are often more reflective of the earnings on foundation assets than they are of the earnings of the corporate parent. For the corporate community as a whole, this is of minor concern, because the total earnings of all corporate foundations is currently very small in relation to total corporate profits. In individual cases, however, there are periods when this is not true.

Data on the assets and earnings of corporate foundations has been collected in the Survey of Corporate Contributions only since 1981. In the four years for which we have this data, the companies in the samples reported that the sum of their payments into their foundations and the earnings on their foundations' assets exceeded the grants made by their foundations, with the result that the assets of their foundations have been growing. For the companies supplying such data, the increase in foundation assets has averaged $100 million annually. Inevitably the earnings of these foundations will grow as well. It is not inconceivable that the day will come when the total of such earnings will not be trivial and we will have to take them into consideration in measuring corporate contributions. This will be especially important in cases where the parent companies incur losses, as was the case for a large number of companies during the recession of 1979-1982.

Quality of IRS Contributions Data

For want of any alternative source of comprehensive information, the tabulations of corporate contributions data taken from the income tax returns filed by business corporations are widely quoted as *the* measure of total corporate giving. On both conceptual and practical grounds, however, these tabulations are by no means valid.*

By definition, the data in the tax file are limited to what corporations report as their contributions amounts on their annual tax returns. Obviously the data do not include any contributions that were made in the given year but not reported in that year. What is perhaps less obvious is that the tax file includes amounts that were reported in the given year but which reflect contributions made in other years.

The net effect of these omissions and inclusions is unknown, but it is probably a net understatement of corporate giving in most years. Aside from the problems of timing, which result from contributions being reported in years other than those in which they were made, it is certain that there are appreciable amounts that are never reported at all. The reasons for this are inherent in the structure of corporate giving and in the provisions of the Internal Revenue Code. Because of these influences, there are at least six defects in the tax data that make them less than perfect as an indication of how much money and property the corporate community contributes to charity each year.

Corporate Foundations

1. In all probability, the most serious defect has to do with the emergence of the corporate foundation as a vehicle or channel through which corporate philanthropy is disbursed. A very significant share of corporate giving is now accounted for by these foundations, so that the ideal measure of corporate philanthropy would be the consolidated contributions of corporations and their foundations, with an elimination of the amounts transferred from corporations to the foundations. Such a measure would correspond precisely with the amounts of support received from corporate sources by the nation's charitable organizations.

For tax purposes, however, corporations report the total amount of contributions made to qualified charitable entities *including* their own sponsored foundations. And the amounts given by corporate foundations to other charitable entities are *not* reported on corporate tax returns; rather, they are reported by the foundations on Form 990PF, a return filed by all private foundations in lieu of a tax return.

This means that the corporate tax file overstates the amount of corporate giving by the amount given *to* corporate foundations and understates the amount of corporate giving by the amount given *from* corporate foundations. These two amounts and the difference between them are unknown for the corporate community as a whole, but it is known that the difference is typically positive in years when corporate profits are high and rising and typically negative when corporate profits are low and falling. The tax file data, therefore, will show a net overstatement of the consolidated corporation-plus-corporate-foundation giving in years of good profits and a net understatement in years of poor profits.

Such differences provide an illustration of the principal function of corporate foundations. When corporate philanthropy is disbursed solely from corporate funds, there is a tendency for it to rise and fall with corporate profits over the course of a business cycle. By funding their foundations heavily in years of good profits, corporations in effect set aside reserves of money that can be used in years of poor profits, thus insulating the ultimate recipients of corporate philanthropy from the ups and downs of the profits cycle.

The actual situation is even more complex. Many corporate foundations are of the "flow-through" variety; that is, they disburse during a given year all or virtually all the money they receive in that year, including any income from the investment of their assets. Other foundations may have a corpus of variable size from one year to another; they also receive periodic funding from their sponsoring companies so that the grants made by these foundations will sometimes be more and sometimes be less than their receipts. And a few foundations are "fully funded" in the sense that they have a corpus, perhaps built up over many years, that is sufficiently large that all their charitable grants can be made out of the earnings from the investment of the accumulated assets. In such cases, the sponsoring company may make no charitable contributions at all; and it will report no contributions on its income tax return.

There is no rigid dividing line between these three general types of corporate foundations, and a foundation may change from one type to another with the passage of time and changes in corporate circumstances.

Adjustments Needed

If comprehensive information on corporate foundations were available, it would be a simple matter to adjust the tax file data on corporate giving to reflect the flow of money in and out of corporate foundations. Unfortunately, no such comprehensive data exist; the financial information on corporate foundations is not segregated from that supplied to the IRS by all private foundations. It is not known how much they receive from corporations, how much they have in assets, how much they earn from investments, nor how much they disburse in charitable grants; indeed, it is not even known exactly how many corporate foundations exist. Some of these gaps in knowledge will be filled by new

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**The term "validity" refers to the property of statistical data accurately to measure what it is supposed to measure. It differs from the term "accuracy" which refers to the correctness of the data.*

information now being collected in the Annual Survey of Corporate Contributions (see below).

Some idea of the size of the adjustments necessary to correct the tax file is provided by the Annual Survey of Corporate Contributions which is conducted jointly by The Conference Board and the Council for Financial Aid to Education. The following data reflect the amounts reported in these Surveys since 1974:

Structure of Corporate Contributions
(millions of dollars)

	1974	1975	1976	1977	1978	1979	1980	1981
Total Company Gifts	$437.7	$381.6	$531.7	$639.9	$834.4	$855.7	$944.7	$1,039.1
(millions of dollars)	(772)	(761)	(743)	(793)	(740)	(763)	(709)	(768)
Less: Gifts to	154.1	113.4	207.7	285.1	418.7	372.1	381.4	361.6
Company Foundations	(239)	(230)	(227)	(248)	(249)	(291)	(249)	(239)
Direct Company Gifts	283.6	268.3	324.0	354.8	415.7	483.6	563.3	677.5
to Others	(730)	(719)	(694)	(731)	(697)	(722)	(661)	(735)
Plus: Company	154.3	168.5	195.7	240.9	277.5	351.9	431.3	493.3
Foundation Gifts	(329)	(322)	(320)	(341)	(329)	(352)	(353)	(359)
Total Corporate	$438.1	$436.8	$519.7	$595.7	$693.2	$835.5	$994.6	$1,170.8
Contributions	(799)	(796)	(773)	(816)	(759)	(786)	(732)	(789)
Difference Between Foundation Receipts and Foundation Gifts	– .2	– 55.1	+ 12.0	+ 44.2	+ 141.2	+ 20.2	– 49.9	– 131.7

(Numbers in parentheses show the number of companies reporting.)

This period of time encompasses a full business cycle from recession to recovery and peak, and back to recession. The difference between foundation receipts and foundation gifts, shown on the bottom line, portrays the functioning of the foundation mechanism. When profits were low and declining, as in 1974-75 and again in 1980-81, the foundations paid out more than they received. When profits were high and rising, as in 1976-79, the foundations received more than they paid out.

Foundation Assets and Earnings

Data on foundation assets and earnings were obtained for the first time in the 1981 Survey, and while the results were not wholly satisfactory, they shed new light on the functioning of the corporate foundation. The data show the following for 323 companies:

Market value of assets, 1/1/81	$1,584,592,818
Payments into foundations	327,377,597
Earnings on assets	180,035,571
	2,092,005,986
Gifts made by foundations	439,960,577
	$1,652,045,409
Market value of assets, 12/31/81	$1,645,246,801

That the arithmetic is not precise is an indication of the incompleteness of the data. The lack of precision, however, is of little importance in comparison to the broad sweep of these numbers. They indicate, for example, that there is a very large pool of assets in the hands of corporate foundations, a pool that could be tapped to maintain corporate giving even if current support from the sponsoring companies should fall to zero. And they indicate that the earnings on foundation assets are important as a means of funding current foundation grants programs.

Presumably the companies that have foundations and that do not participate in the Survey would have reported a somewhat similar experience. Although the dollar amounts are not known, it seems unlikely that they would have been greater than those of the reporting companies. This suggests that the proper adjustments to the tax file data would be no greater than about $200 million, plus or minus, in any recent year. This is clearly a subject for further research.

Carryover of Contributions

2. A second defect of the tax file data relates to the provision in the Internal Revenue Code that allows for the carryover of excess contributions from one year to another. Section 170(d)(2) of the tax code limits the contributions deduction to 5 percent of taxable income and provides for a five-year carryover of any excess amount.* In any given year, therefore, the amounts re-

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**A provision in the Economic Recovery Tax Act of 1981 raises this limitation from 5 percent to 10 percent of taxable income for taxable years beginning after December 31, 1981.*

ported on corporate tax returns will include some contributions amounts carried over from prior years and exclude the amounts carried forward to future years.

This carryover feature is of special importance for companies that have zero or negative taxable income. In the present study, for example, as shown in Table 5, there were 817,379 companies that reported a net loss in 1977. Any contributions made by them automatically exceeded the 5 percent limit in that year and were therefore nondeductible. Some 19,440 such companies nevertheless reported contributions aggregating $25.4 million, for an average of $1,300 per company. Such amounts claimed as deductions are ultimately disallowed in the audit process, but the companies have the right to carry them over to their tax returns for 1978 and four subsequent years.

Many of the other companies reporting a net loss undoubtedly made contributions in 1977 and simply did not report them for tax purposes because of their nondeductibility in 1977. If one assumes arbitrarily that the proportion of the net loss companies making contributions was the same as it was for corporations reporting net income (i.e., 35.5 percent), then roughly 290,000 net loss companies made contributions that they would have reported had they had some taxable income in 1977. Since 19,440 such corporations did report their contributions, perhaps 271,000 other net loss companies made but did not report some charitable giving. Assuming an average of $1,300 per company, this omission would account for a maximum of $350 million in unreported contributions.

However, the actual magnitude of this carryover defect is highly uncertain. The above estimate makes no allowance for any of the characteristics of the companies reporting a net loss in 1977. It does suggest that significant amounts may be involved, and there are other clues that support this guess. One such clue arises from the responses to the Annual Survey of Corporate Contributions. One of the questions asked routinely on the Survey form is whether the amount of contributions reported is the same as the amount claimed as a deduction on the corporate income tax return. In the 1979 Survey, about a third of the respondents said "no," and the most frequently mentioned reason was the existence of carryover amounts. This would, of course, include both amounts carried over from the past as well as amounts carried over to the future.

The Prepayment Option

3. A small defect of the tax file data stems from a company's right to "prepay" contributions as provided in Section 170(a)(2) of the Internal Revenue Code. Under certain circumstances contributions made in the first two and a half months of a fiscal year may be taken as a tax deduction in the prior fiscal year. Some of the contributions reported in the 1977 file were actually disbursed in 1978 by companies utilizing this provision of the Code. Likewise, some of the contributions actually made in 1977 were reported in 1976.

The total amount involved here is probably relatively small. Although several large companies are known to utilize this prepayment option from time to time, it is believed not to be widely utilized by the majority of corporations. In actuality, however, there is no measured evidence on this subject.

Industries with Special Tax Rules

4. There are special circumstances under which mutual insurance companies, mutual savings banks, savings and loan associations, and similar corporations must compute their income tax liabilities without any deduction for charitable contributions. In such cases the companies have no incentive to report any of their contributions on their income tax returns.*

Many large companies in this category are known not to report their contributions even though their giving programs involve significant amounts. In the aggregate, the dollar amount of these omissions is unknown; however, the effect is clearly to understate corporate giving in the tax file.

What is a Contribution?

5. The most complex of the defects of the tax file data has to do with the definition of a charitable contribution. While the vast majority of situations pose no problem, there are many instances where a transaction may be treated not as a contribution but as some other kind of business expense.

Examples abound, especially in corporate giving to higher education. Scholarships for employees' children are sometimes treated as an employee-relations expense and sometimes as contributions. Grants to academic departments in connection with employee advanced education are sometimes treated as contributions and sometimes included as an educational expense.

However, the greatest problem appears to be in the area of research support. The corporate community provides funds to universities for research purposes under many different kinds of arrangements. At one extreme are contracts under which specific research is performed for the benefit of the corporation providing the money. At the other extreme are departmental grants designated for research support without any direct benefit to the donor company. In between are numerous arrangements that may or may not qualify as contributions.

Similarly, grants to public television stations may be

**The Tax Equity and Fiscal Responsibility Act of 1982 moves many life insurance companies from a Phase I tax base, which effectively limited the deductibility of charitable contributions, to a Phase II tax base. This means that charitable contributions will for the first time become fully deductible for such companies.*

treated as contributions by some companies and as an advertising expense by other companies.

Gifts "In-Kind"

Certain "gifts-in-kind" represent a special problem in this area because of changes over the years in the tax treatment of gifts of property other than cash. The legitimacy of charitable contributions of noncash property has long been recognized by the Internal Revenue Code (Section 170(e)) as well as by conventional public attitudes. Prior to the early 1960s such gifts could be deducted for tax purposes at their fair market values. In particular, this valuation rule applied to property produced by the donor or otherwise carried in inventory by the donor as stock in trade. However, the Tax Reform Act of 1969 changed the basis of valuation from fair market value to (production) cost, and this change is known to have materially reduced the incentives for many corporations to make such gifts. Although there have been two modifications of this valuation rule since 1969, they affect only certain kinds of gifts made for certain specified purposes.

There is very little information available regarding noncash corporate giving, but it is known that many companies do make such gifts. In some cases these gifts-in-kind reflect a formal program of contributions with rigid accounting; in other cases, particularly those involving unsalable but usable merchandise, the gifts may be written off and charged to any of a number of noncontributions accounts.

In principle, the character of a transaction as a contribution is simple. In practice, however, there are many instances in which corporations have difficulty in determining whether a given payment is or is not a contribution. Just how this problem affects the totals reported in the corporate tax file is uncertain, but it is thought to involve a net understatement.

The Question of Small Firms

6. The sixth of the known defects of the tax file data arises from the fact that the overwhelming majority of business corporations are small, closely held enterprises. These firms are essentially proprietorships and partnerships in disguise. Their owners, both individuals and families, have opted for the corporate form of legal organization to limit their personal liabilities, to provide for the continuity of ownership, to achieve certain tax savings, and to accomplish other purposes. Aside from their legal form, these companies have little in common with the larger, publicly held corporations which dominate the financial statistics of the business community.

Since they are privately held, the financial data on these small companies are not publicly disclosed except for the summary information in the corporate income tax file. There are, therefore, no data other than the totals in the tax file to indicate how much they give in "corporate" contributions as distinct from the personal contributions of their owners.

As indicated in Table 7, however, 918,881 companies with positive income reported no contributions in 1977. The net (taxable) income of these companies totaled $39.4 billion, for an average of roughly $43,000 per company. It is clear from this figure that these companies, shown as "noncontributors," are typically very small corporations.

The fact that these small companies did not report any contributions does not necessarily imply that they and/or their owners did not make any contributions. In all probability, the owners of these enterprises did make charitable contributions in 1977, in some cases from corporate funds and in some cases from personal funds. Since the marginal income tax rates for small companies are relatively low, there may even be a preference for giving personal funds rather than corporate funds.*

Even when corporate funds are used, the contributions may be recorded as a miscellaneous expense or as some other noncontributions expense. Small enterprises like these typically have relatively simple bookkeeping systems with a minimum number of accounts for recording expenses. Furthermore, these companies are seldom audited. Contributions, therefore, could easily have been recorded in any of several different accounts and not reported as such for tax purposes.

*****In 1977, the corporate tax rates were 17 percent for the first $25,000 of taxable income, 20 percent for between $25,000 and $50,000, and 30 percent for between $50,000 and $75,000. Since the average taxable income for the 918,881 noncontributors was $43,000, it is clear that a very high proportion of them were subject to these low marginal tax rates. By contrast, the marginal tax rates for individuals with equivalent taxable incomes ranged from a low of 36 percent to a high of 66 percent, depending on filing status and other variables. A charitable contribution of any size, therefore, was worth more in terms of tax savings when paid from the personal funds of the owner than it was when paid from corporate funds.*

Contributions as a Percentage of What?

In virtually all discussions about corporate contributions, sooner or later the subject will turn to the question of what a given dollar figure represents as a percentage of some other dollar figure. In the typical case, the contributions dollars will be expressed as a percentage of pretax net income (PTNI), although there are many variations and alternatives that are used either for conceptual or practical reasons.

The reason for this interest in "the percentage" is simple. For most purposes, the dollar amounts of contributions are less important than an expression of those dollars relative to a reference base that will permit comparisons – comparisons against conventional norms, comparisons between companies, and comparisons over time.

Contributions Norms

The conventional norms used are actually quite arbitrary. There is, for example, a provision in the Internal Revenue Code (IRC) that permits corporations to deduct charitable contributions in the determination of income subject to tax up to a specified percentage of taxable income. Between 1936 and 1981 that level was 5 percent; with the passage of the Economic Recovery Act of 1981, the level was increased to 10 percent for tax years beginning after 1981. In passing, it should be noted that the IRC does not prohibit higher levels of corporate contributions, it merely limits the amounts that can be deducted for tax purposes.

There are a few states in which the statutes that empower corporations to make charitable contributions provide a limitation on the level of giving, usually stated as a percentage of capital, but there are no other known legal limitations. The 5 percent clause in the IRC attracted much interest in the 1970s as a kind of norm against which to measure corporate performance when in fact it was established as a ceiling to discourage corporations from giving too much. The observation that corporations were giving at about a 1 percent level when they could deduct as much as 5 percent led many to conclude that there was an untapped reservoir of contributions that would be forthcoming if only the business community would conform to what the tax law said it could do.

This kind of reasoning is specious. One might equally well conclude that there is an untapped reservoir of contributions that would be forthcoming if only individual taxpayers would conform to what the tax law says they can do. After all, the total of individual giving amounts to only about 3 percent of total adjusted gross income (AGI), while the tax law permits contributions of cash up to 50 percent of AGI and contributions of appreciated property up to 30 percent of AGI! It is likely that both individuals and corporations can be persuaded to give at higher levels relative to income, but the fact that there is an "underutilized" tax deduction is hardly a valid argument in favor of their doing so.

A variety of other contributions norms have arisen in the past twenty years, most of which are actually targets or goals for companies interested in demonstrating a high degree of social responsibility or corporate citizenship. There are today a number of organizations, or "clubs," which have been formed to promote giving at various percentages of PTNI, taxable income, or some other measure of corporate earnings. These percentages are simply arbitrary expressions of the levels of giving that are deemed desirable or appropriate.

Other Comparisons

The intercompany and intertemporal comparisons are another matter. Such comparisons can be stated as a percentage of any one of several alternative measures, and the comparisons will be valid and proper if the divisor used is consistent as between companies and between time periods. However, there are so many variations and alternatives that may be, and in fact are, used for such comparisons that there have arisen much confusion and misunderstanding in this area. The problems are compounded by the widespread interest in making comparisons with the total corporate universe or some major subset of that universe. There are three sources of difficulty: one is conceptual, the second is a question of data sources, and the third is a matter of statistical procedure.

Conceptual Problems

The most widely used reference point is corporate earnings. The alternatives include total sales, total assets, and the number of employees. With the exception of measures based on total assets, virtually all comparisons are based on contributions as a percentage of corporate earnings. The term "corporate earnings" almost always means "profits before income taxes" or "pretax net income" (PTNI) or some similar concept.*

The rationale for measuring corporate contributions as a percentage of PTNI stems from several considerations. First is the notion that the measurement should be based on income since contributions are generally regarded as being made out of income. Indeed, without income, any money or other property given to charity would have to be taken from capital or net worth. Al-

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**Terminology in this area can be confusing because the names given to financial statements and to specific items on those statements vary from company to company and change over the course of time. The concept of "pretax profits" or "pretax earnings" derives from the structure of the corporate profit and loss statement (which is also known by other names such as "statement of income" and "statement of earnings"). In general, such statements show the sources of revenue (or receipts, or income) with a total, followed by a list of various categories of expenses (or costs, or deductions) with a total. The difference between the two totals is net profit, or net income, or net earnings. In most instances, the deduction for income taxes is shown separately so that the difference between total revenue and total expenses is pretax profits, or pretax income, or pretax earnings. Custom dictates the use of terms like PTNI or NIBT (net income before taxes) despite the fact that there are objections to the use of the word "net" in these expressions. Although it is preferable to use "pretax income" or "income before taxes" to describe this concept, by popular usage it is perfectly correct to use PTNI to mean "profits before income taxes."*

though some companies (see Table 5) that report a net loss do make charitable contributions and are, in effect, giving out of capital, this is normally a temporary situation. Giving out of capital is not regarded as proper except in very extraordinary circumstances. Therefore, the relationship between giving and net income is "natural."

Second, if net income is appropriate, it should be measured before income taxes, not after. Since contributions are deductible for income tax purposes, the amount of giving affects the amount of tax liability. Ideally, the measurement of corporate contributions should be against a variable that is independent of the level of contributions itself. Since the level of after-tax net income depends on the amount of contributions, or at least the amount deducted for tax purposes, it is not an ideal point of reference.

Third, income is widely regarded as the principal measure of the capacity to give. Since large companies are expected to give more than small companies, the contributions measurement should be made against a variable that generally reflects corporate size. While PTNI is a very imperfect measure of corporate size, it does reflect the capacity to give and is therefore very widely used for making intercompany comparisons. Similarly, the capacity to give grows larger as PTNI increases with the passage of time, and this makes it useful for making intertemporal comparisons.

Problems with PTNI

Despite these and other considerations, there are many who find the use of PTNI to be unsatisfactory. To begin with, PTNI varies with economic conditions, and the profits cycle affects some companies and some industries very severely. When PTNI decreases sharply, the percentage of giving rises significantly even though the level of contributions remains constant. And there is inherently a problem when a company's profit turns into a loss, as with some 720,000 corporations in the 1970 tax file and 817,000 in 1977. In such cases, the percentage of contributions has no meaning for any individual company, and the inclusion of negative PTNI for some companies in any aggregation of a group of corporations tends to distort the computed percentage. More about this below.

As indicated in the text, there is also a question about the proper year's PTNI to use in making any kind of comparisons or assessments. There is inevitably a tendency to relate contributions in any given year to PTNI in the same year, even though the decision-making processes nearly all suggest that a lagged relationship is more appropriate. The typical contributions budget is determined in advance of the year in which the contributions are disbursed, and the level of giving is most often determined in reference to earnings in one or more years prior to the disbursement year. Indeed, it is a widespread practice to use moving averages of two or more years' profits in conjunction with some target, goal or other norm for giving in the determination of the total amount of contributions to be disbursed in a following year. The contemporaneous percentage, therefore, may be quite different from the planned one because of an unexpected rise or fall in PTNI. For example, a company may target its contributions at 1 percent of PTNI only to find that the actual figure is much higher, because of an unexpected fall in PTNI, or much lower, because of an unexpected rise in PTNI.

The same is true for the entire corporate universe or for any smaller grouping of companies. The giving percentage rises and falls from one year to the next because of falling or rising profits more than from changes in the levels of contributions. This phenomenon shows clearly in Table 1: on at least eight occasions over the last 45 years there was a year-to-year decline in PTNI for all corporations which was accompanied by a sharp rise in the percentages. In the two most recent years, 1980 and 1981, the estimates of contributions show a rise while PTNI fell, and the resulting percentage shows an exaggerated jump from 0.91 percent in 1979 to 1.25 percent in 1981.

Those who find the use of PTNI unsatisfactory often point out that the effective income tax rates vary widely from company to company, and they advocate the use of after-tax net income (ATNI) as a divisor. Their preference for using ATNI is based on the rationale that the capacity to give is associated with the actual profits remaining after *all* deductions, including income taxes. They argue further that the contributions percentage is so small in relation to the effective tax rates that the impact of the contributions deduction on ATNI is very small, so that it does not matter from a practical point of view that ATNI is affected by contributions.

A more important objection to the use of PTNI is voiced by those companies that derive a substantial share of their profits from operations outside the United States. In their view, it is inappropriate to measure contributions made in the U.S. against "worldwide" profits, and they prefer to measure their giving as a percentage of *domestic* PTNI only. While there is a certain logic to this view, it raises additional problems and introduces additional complexities in making comparisons between companies.

It is clear that PTNI is a very imperfect point of reference for measuring or assessing the level of corporate contributions. But despite its shortcomings, it continues to be more popular than any of the alternatives. It is also desired by many who wish to relate their own company's giving to the aggregate of all corporate contributions. However, there is a major problem.

Total Corporate PTNI Unavailable

As surprising as it may seem, there is no authoritative statistical tabulation of corporate profits before income taxes, as defined by generally accepted accounting principles (GAAP) for the corporate community as a whole. Only the large, publicly held companies are required to make such information available, and while they account for the bulk of total corporate PTNI, the figures available from these sources are incomplete as a representation of the corporate universe. The two million-plus privately held companies are not required to publish their financial data nor to report such information except on a confidential basis to certain federal and state authorities. In the absence of any data on the total PTNI for all corporations, it is not possible to calculate contributions as a percentage of PTNI for the entire corporate universe on a basis that is consistent with the figures for individual companies.

Substitutes for PTNI

As in many other situations, the answer to this problem is to use the best available surrogate for total PTNI. There are, at this time, only two reasonable choices and both are conceptually quite different from PTNI. One is the estimate of corporate profits before taxes included as a component of the national income and product accounts (NIPA) compiled by the U.S. Department of Commerce. The other is the tabulation of "net income" from corporate income tax returns published by the Internal Revenue Service (IRS). Of the two, the NIPA estimates are preferred both because they conform more closely to the GAAP concept and because they are available with less of a time lag than the IRS figures.

The NIPA estimates of corporate profits before taxes are shown in Table 1. Because of their ready availability and acceptability, they and the percentages derived from them are the most widely used and quoted figures on this subject. However, the NIPA concept is distinctly different from the GAAP concept and the percentages shown in Table 1 are not fully comparable to the figures applicable to any one business corporation.[*]

One other disadvantage to the use of NIPA estimates is that the estimates are revised from time to time. This means that the percentages calculated from them must also be revised. Although the revisions seldom exceed two or three percent in magnitude, they have been larger than this in the recent past and they have caused the percentages to change appreciably. For example, the first estimate of corporate profits before tax (NIPA) for 1977 (published in 1978) was $173.9 billion, and contributions amounted to 1.03 percent of this figure. The current estimate for 1977 is $194.7 billion, more than 10 percent above the initial estimate, and contributions are now shown as 0.92 percent of profits. Such changes are inherent in the NIPA system; estimates are prepared on the basis of the information available at the time, and as more and more information becomes available the estimates are revised accordingly.

Taxable Income vs. PTNI

The only alternative to the NIPA estimates as a surrogate for total PTNI is the tabulation of net income figures from corporate income tax returns published annually by the IRS. These figures are inferior to the NIPA estimates for practical and conceptual reasons. The IRS data are unsatisfactory on practical grounds because they are not available until at least three years after the fact. The long delay is inherent in the nature of the filing dates for tax returns, and even though the IRS tabulations are based on a stratified sample, the process of tabulation and analysis typically requires more than a year after the last returns are available. Thus, the data in this monograph, which apply to 1977, were not available in final form until late 1981.

Even if the data were available earlier, the concept of profits used for tax purposes is so different from the GAAP concept that there is no comparability with corporate PTNI figures. The tax law contains many provisions for special exclusions and deductions, and otherwise defines many transactions in special ways, with the result that the difference between receipts and deductions for tax purposes is significantly different from PTNI for many classes of corporations. To cite but one important example, banking corporations may exclude, for tax purposes, income from tax-exempt securities, and this is such a large item that the taxable income of banks is typically very much lower than the net income determined by the use of GAAP.

Despite these problems, the IRS data are useful for analytical purposes. The "net income" figures used throughout this monograph do not correspond to the net income figures published in corporate financial statements, yet they permit the extensive statistical arrays included in the tabular material. These "net income" figures are very close to the taxable income concept upon which the ceiling for the contributions deduction is based; hence, they also indicate the extent to which corporations actually make contributions relative to the limitation in the tax law.

The figures for "total receipts less total deductions" used in Table 1, the figures for "net income" used in other tables, and the concept of "taxable income" are not identical.[*] However, they are sufficiently close that there is very little distortion in the analysis. Much more important problems exist that are purely statistical in nature.

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[*] *For example, the NIPA concept excludes all gains and losses from the sale or exchange of capital assets while the GAAP concept specifically includes all such gains and losses. NIPA also differs from GAAP in the treatment of foreign earnings and other transactions. These and other differences are due to definitions of profits before taxes that reflect the different purposes for which the two concepts are employed. In addition, the NIPA figures include the profits of the Federal Reserve Banks.*

[*] *Conceptually, net income (loss) equals total receipts reported for tax purposes less total deductions reported for tax purposes, and plus or minus certain adjustments related to includable foreign income received and the foreign dividend "gross-up." Taxable income is yet another concept, and it equals net income less certain other special deductions such as the net operating loss carry forward, the Western Hemisphere credit, and the credit for dividends received from domestic corporations.*

Problems of Statistical Procedure

At first glance, it would appear to be a simple matter to calculate contributions as a percentage of any measure of corporate profits before taxes for all corporations combined or for any subset of companies, regardless of the profits concept involved. In reality, however, there are at least three problems that can make a significant difference in the result.

The first has to do with the treatment of companies that report a net loss. Even though the contributions of such companies may not legally be deducted for tax purposes, some of them do report their contributions (e.g., see Tables 5 and 6). The total amount of corporate contributions shown in Table 1 includes both the contributions and the negative PTNI of all these net loss companies. Moreover, it includes the negative PTNI of all other loss companies even though they do not report any contributions that they may have made.

The concept of "contributions as a percentage of PTNI" implies that PTNI is a positive number: it has no meaning when PTNI is negative. There is, therefore, a question whether companies reporting a net loss should be included in the tabulation for all companies or not. Total PTNI is smaller when they are included than when they are excluded, and this means that for a given level of contributions the percentage will be higher when the net loss companies are included than it would be for the profitable companies alone. The degree of distortion will be even larger to the extent that the net loss companies included report their contributions.

The second problem has to do with the treatment of companies not reporting any contributions. The overall figures for the corporate community in Table 1 clearly include the PTNI for noncontributors, even though they add nothing to the total amount of contributions. If they were excluded, then the resulting percentage would measure the level of giving only for the companies that do report contributions, and it would be a larger number.

Clearly there are two separate questions that might be asked: "What is the level of giving for those who give?" and "What is the level of giving for all companies including those who do not give?" The numerical answers will be different, yet each will be correct for the question asked.

These two problems can easily be illustrated with the data from the 1977 tax file. Table 1 shows that total contributions amounted to 0.82 percent of total corporate "net income" including all the companies not reporting any contributions and all the companies reporting a net loss. Table 10 excludes the loss companies but includes the companies with net income not reporting any contributions, and the level of giving is shown to be 0.72 percent. The figure jumps to 0.87 percent in Table 6 as a result of excluding the noncontributors and including the net loss companies. And if both the net loss companies and the companies not reporting contributions are excluded, as in Table 11, the level of giving becomes 0.86 percent.

The question remains: "What was the level of corporate giving in 1977?" These illustrations indicate that the question must be asked rather precisely depending on the purpose involved.

The third problem is purely one of statistical technique. The calculation of contributions as a percentage of PTNI for any group of two or more companies can be made in at least two different ways. The conventional method is simply to express the total amount of contributions for all companies in the group as a percentage of the total PTNI of the group. This is the method used throughout this monograph, and the results are those shown in all the included tables.

An alternative method is to add all the percentages of contributions to PTNI for the individual companies in the group and then to divide by the number of companies included. Depending on the size of the group, the relative importance of large and small companies, and the dispersion of their percentages, this method can give quite different answers from those obtained by the conventional method. Each of these methods, and others, are "averages," or "measures of central tendency," that are statistically acceptable depending on the uses intended. The method used most widely is the conventional one, partly because of the ease of calculation and understanding, and partly because of the notion that if PTNI is a measure of the capacity to give, then the total amount of contributions for a group of companies should be expressed as a percentage of the total PTNI for the group, regardless of how income and contributions are actually distributed among members of the group.

Alternatives to PTNI

The use of PTNI (or any other measure of income before taxes) as a reference base for measuring the level of giving involves so many problems that some consideration should be given to one or more of the available alternatives. One such alternative is mentioned in the text (Tables 9b, 10, and 11): namely, contributions as a percentage of total assets. While the use of assets is not free from problems, it is free from those related to the use of PTNI.

Total assets is an acceptable and frequently used basis for measuring corporate size. By definition, assets cannot be negative. Assets tend to grow with the passage of time. And there is no distinction between assets determined by GAAP and assets reported on corporate tax returns. These properties make assets somewhat superior to PTNI as a point of reference for assessing the level of corporate contributions.

The major drawback to the use of assets stems from the fact that the valuation of assets is conventionally on the basis of historical cost rather than replacement cost, so that inflation has a disparate effect on contributions and assets. In periods of rapid inflation, contributions tend to increase much faster than assets; consequently, the percentage of contributions to assets tends to rise "artificially."

This defect is of much less significance for the purposes of intercompany comparisons than it is for intertemporal comparisons. As indicated by the figures shown in Table 9b, there is wide variation in the percentages between industries. This variation reflects differences in the degree of capital intensity and other structural dissimilarities between one industry and another. However, the use of assets as a measure of corporate size does provide a very useful basis for an analysis of contributions. This shows clearly in Tables 10 and 11.

While the figures for contributions as a percentage of assets show no discernible pattern as between the industries shown in Table 9b, they show a very well-defined pattern in both Table 10 and Table 11. When corporations are arrayed by size of assets, the data show that contributions as percentages of assets tend to be much larger for small companies than for large companies, and as the size of assets increases the percentage of contributions decreases.[*]

A comparison of the figures between Tables 10 and 11 also shows that the exclusion of companies not reporting contributions causes a much larger increase in the percentages for small companies than for large companies. This clearly reflects the fact that smaller proportions of small companies report contributions than large companies, but it also suggests that when small companies do report contributions, the amounts they report tend to be much larger relative to their size in terms of assets than is the case with large companies.

The inverse relationship between corporate size and the percentages of giving, whether measured against "net income" or total assets, is a long-standing phenomenon. The Annual Surveys of Corporate Contributions indicate that this relationship has remained constant over time. It tends to show more clearly in the percentages based on total assets than those based on PTNI because the former are unaffected by the ups and downs of the business cycle and the latter are very volatile.

Contributions can also be measured relative to total sales or total employment. The usefulness of such measurements has yet to be explored in any comprehensive way, and the properties of these bases in this context have yet to be examined.

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[*] *It should be noted that Table 10 gives figures for contributions as percentages of assets for all companies with net income, including those not reporting contributions. Tables 9b and 11 show figures only for companies with net income that report contributions.*

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THE ENVIRONMENT AND CORPORATE GIVING BEHAVIOR

by
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Corporate Giving Panel
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The paper reviews the research that has been done on why corporations make contributions to charitable organizations and outlines a set of topics for future research. To aid us in our presentation we develop a conceptual framework that views corporate contributions as a form of collective action. The paper draws heavily from the author's recent book, The Social Organization of an Urban Grants Economy: A Study of Business Philanthropy and Nonprofit Organizations (Orlando, FL: Academic Press, 1985).

Corporate Giving: A Review of the Literature

This paper views a grants economy as a highly decentralized social institution that produces either first- or second-order collective goods for the community. A grants economy is decentralized because resources are allocated through a large number of very small, individual decisions. In contrast to governments, where citizens are coerced to forfeit control of their surplus for the production of collective goods and/or services, grants economies operate on a voluntaristic basis with each donor deciding itself whether or not to give to this or that prospective donee. At the same time, the products or outputs resulting from the gift are first or second-order collective goods. First-order collective goods are what economists call pure public goods - goods which cannot be appropriated by any single actor in the community but that can be enjoyed by any member of the community directly, whether or not that individual contributed to its provision (Boulding, 1973). Examples of these public goods include fresh air, clean water, scientific knowledge, neighborhood safety, etc. Second order collective goods can be appropriated by single actors, but the consequences of their consumption allegedly benefit everyone in the long rum. Income transfers, free health care for the indigent, foodshelves for the hungry, and so on, are examples of second-order collective goods. These outputs qualify as public goods because without them everyone in the community would have to suffer the consequences of community members being poor and hungry, sick, or otherwise undersatisfied.

In many ways a grants economy is a hybrid social organization. Its outputs parallel the outputs of governments in that it provides collective goods, whereas its process of resource aggregation and allocation parallels processes in the marketplace in that the distribution of resources is the result of a large number of small, voluntary, individual decisions. Whether or not a grants economy embodies the best or worst of both systems is an issue that we leave to social philosophers.

Selective Incentives as a Way to Persuade the Reluctant Donor

One problem that all efforts at collective action face is the chiseler who cannot be denied access to the good, even though he has not contributed to its production. One solution to this free-rider problem is to provide selective incentives to induce participation. A selective incentive is some payoff that donors come to enjoy directly in return for their participation or contributions to the collective action. Olson (1965) gives several examples, among them praise, esteem, and friendship. Such incentives are sociability goods that group members bestow upon those who decide to join in the action. They are not commodities in the strict sense of the term, and there is nothing even approaching a contract guaranteeing that one would get y amount of praise, recognition, or fellowship in exchange for x amount of participation. As Goode (1978) points out, this would violate the social ritual. Besides, it would be difficult to quantify these transfers and thus almost impossible to draw up any sort of meaningful contract.

In discussing the significance of selective incentives for corporate contributions, we identify three arenas of action where donors might come to enjoy sociability benefits in exchange for their contributions. The first is the market environment; the second is the societal environment; and the third is the business community. In the first arena companies would be motivated to make contributions by the promise of more favorable recognition by customers, suppliers, or employees. In the second arena firms would be motivated by the promise of enhanced legitimacy and respect in the broader society. In the third arena companies would be motivated by the promise of higher status bestowed upon them by business peers.

Most research to date has viewed charitable contributions by business organizations as a strategy to co-opt, neutralize, or otherwise earn the good will of problematic elements in their market environment. For example, Burt (1983:197-221) suggests that corporate contributions to nonprofit organizations are but another example of organizational cooptation strategy. To test his thesis, he hypothesized that the market position of the firm determines the level of contributions to charitable organizations. Using industry-level data, he found that the amount of industry-wide contributions measured in absolute dollars, per capita dollars, or as a proportion of profits was directly associated with the percentage of sales to households. This association held when controlling for both income and the price of a contribution. Essentially, Burt views contributions as just another marketing strategy that companies use to gain a competitive edge in consumer markets. Indeed, one of his most interesting findings is a parallel set of associations between expenditures on advertising and market position.

Fry, Keim, and Meiners (1982) present further evidence that contributions are motivated by sales. In summary they find: (1) that marginal changes in advertising expenditures and marginal changes in contribution expenditures are significantly related, (2) that firms with more public contact spend more at all income levels on advertising and contributions than do firms with little public contact, and (3) that changes in contributions and changes in other business expenses usually considered to be profit motivated (such as officer compensation, dividends, and employee benefits) are highly correlated (1982:105). Levy and Shatto (1978, 1980) report comparable findings. Looking at the 1971 corporation tax returns of 56 Standard Industrial Classification (SIC) industries, they found that expenditures for advertising were highly correlated with the level of giving when controlling for both net income and net investment (Levy & Shatto, 1978:22). They also looked at the philanthropic activities of America's 55 largest investor-owned electric utilities. Here they found a strong correlation between philanthropic giving as a percentage of gross income and expenditures on advertising and customer services (Levy & Shatto, 1980). These findings lead them as well to conclude that corporate philanthropy is a part of a company's overall marketing strategy.

Ermann (1978) and Miles (1982) focus on companies' use of contributions to legitimize themselves before public-opinion. More specifically, Ermann (1978) argues that contributions to the Public Broadcasting System (PBS) between 1972 and 1976 were efforts by upwardly mobile companies to produce good will for themselves among the national elite and the general public. He cites PBS literature that suggests repeatedly that a gift to PBS is an investment that can produce important public-opinion gains. Although his research design did not allow him to assess whether elites felt more positively toward firms that had donated to PBS, he did find that many oil companies and firms that had recently increased their profits were among the biggest contributors. Miles (1982) shows how the tobacco industry, when challenged by the Sloan-Kettering Commission and the Surgeon General's Report on smoking's health hazards, immediately responded by funneling millions of dollars to universities and research institutes that did work on cancer-related topics. Indeed, this put the tobacco companies in touch with research that was of immediate interest to them, but the contributions also gave a signal to the public that the industry wanted to do all it could to support research on the hazards of cigarette smoking.

Companies also tend to give a larger proportion of their contributions budget in the community where their headquarters are located (White & Bartolomeo, 1982:41), thus reflecting their concern over another constituency: the local community. Here company giving is a way to demonstrate its citizenship to local residents and local elites. This interest in pleasing one's neighbors could be rooted in loyalty to locale. Alternatively, giving at a higher rate to local charities may be a political strategy to win the good will of local influentials. This might, in turn, be useful when local officials and citizen groups deliberate over zoning ordinances, taxes, environmental regulations, disclosure, affirmative action, and other matters affecting business in the community.

If corporate contributions have some public-relations payoff in the marketplace or in the larger society, we should find that companies that give more are viewed as being "more responsible" or "better corporate citizens" by relevant publics and that this good will results in superior market performance. For example, the good will generated among consumers should increase sales, and the good will generated among workers should lead to decreased labor costs. If a firm is highly dependent upon consumers or workers and these stakeholders have a positive image of the firm, the company should subsequently realize higher earnings.

Research on the relationship between company giving and stakeholders' opinions is scanty and inconclusive. In fact, the only research we found is a study by Yankelovich, Skelley, and White (A. White, 1980). Here a large sample of Americans was asked which industries were most socially responsible. The authors then correlated these rankings with Conference Board data on level of corporate giving by industry and found a positive, although not perfect, relationship (see also Brooks, 1976). There have been many more studies of the relationship between socially responsible behavior and profitability, but the results are inconclusive. In their review of seven studies, Aldag and Bartol (1978:172) conclude that the poor measures of social responsibility coupled with discrepant findings preclude any firm statement about the size and magnitude of the relationship between social responsibility and corporate economic performance. Preston (1981:0) in his review of the literature comes essentially to the same conclusion as do Arlow and Gannon (1982:240) in their review of seven studies published between 1975 and 1979. A more recent article by Cochran and Wood (1984:55) found no relationship between social responsibility indicators and company financial performance for the firms they studied:

Alternatively, company contributions could be made to elicit the applause and approval of business peers and local philanthropic elites. Although there is a great deal of research on the role of gift giving in the creation of status systems in primitive societies (e.g., anthropological work on the potlatch), there is almost no systematic research on gift giving as it contributes to status differentiation in modern society. Only in Sheehan (1966:148) and Useem (1984:123-4) do we get a glimpse at the role that status rewards (and punishments) play in motivating company contributions. Through the institution of peer pressure, executives learn the expectations of their peers, are solicited, and are awarded certain status benefits. Giving is the norm in many business elite subcultures, and those who want to remain in the inner circles best conform and make the appropriate contributions. Useem (1984:127) did one of the few studies that looked at the impact of these networks on company giving. Studying 212 American business firms and 196 British firms, he found that companies with more "inner circle" directors on their boards were more likely to be recognized as generous contributors to the arts, members of arts or educational organizations, or larger contributors in general. In other words, firms subject to peer pressure were more philanthropic.

Enlightened Self-Interest as a Way to Persuade the Reluctant Donor

Another way to solve the free-rider problem is to have individual actors define their own interests more broadly so as to include many other actors and possibly even the collectivity itself. We can cite examples of how members of a clan (Ouchi, 1980) or commune (Kanter, 1972) come to define their interests in terms of the collective interest (see also Knoke and Wood, 1981). If individual donors can me made to believe that their interests are served if the collective interest is served, then contributions to collective action should be readily forthcoming without any overriding concern about chiselers.

Our review of the literature reveals that there has been a history of collectivist sentiments that have rationalized giving by business corporations. These sentiments are embodied in a loosely-fitting ideology that we and others call enlightened self-interest. This belief system focuses attention on the long-term benefits that business, and subsequently the firm, will realize in the future if each business firm acts responsibly today. Essentially, it is an appeal to the collective interest of business.

The business press and the management literature argue that an ethic of enlightened self-interest is a key factor in motivating American business philanthropy today. In 1984 the Wall Street Journal declared that no longer are contributions "based on the whims of top officers, on country club connections and on tradition" (Wall, 1984:1). Firms give so that their long-term interests will be served. In 1981 an article in Fortune stated that "few corporations engage in philanthropy because others need money, as though a corporation were a well-heeled uncle who should spread his good fortune around the family. For the most part, corporations give because it serves their own interests - or appears to" (L. Smith, 1981:121). The argument is familiar.

> Society expects business to accomplish a variety of social goals, and it must accomplish these goals if it expects to profit in the long run. The firm which is most sensitive to its community needs will, as a result, have a better community in which to conduct its business...a better society produces a better environment for business. (Davis, 1973:313)

The watchword is: "What's good for society is good for our company" (Hay & Gray, 1974:140).

More systematic surveys of company executives confirm that enlightened self-interest is a dominant ideology rationalizing contributions and other forms of corporate social responsibility. In their review of the literature on corporate social responsibility, Arlow and Gannon (1982:235-236) cite a number of studies that demonstrate how enlightened self-interest dominates the thinking of corporate executives. For example, Bowman (1977) studied executives' attitudes toward socially responsible behavior with respect to the environment. Business executives in his sample felt it was necessary to do more than required by law, even if it meant a short-term reduction in profits, because otherwise government will impose regulations that will hurt the entire industry (see also Ostlund, 1977). Sacrifices need to be made in the short term so that the industry can prosper in the long term. In an earlier study, Harris and Klepper (1976:17) found that 49% of 309 chairmen and presidents of major U.S. corporations surveyed justified a contributions program and other public-service activities on the grounds that public service is necessary for long-range survival (i.e. enlightened self-interest).

The most impressive survey of the ideologies related to company giving was conducted by White and Bartolomeo (1982) for the Council on Foundations. After intensively questioning respondents, they concluded that corporate giving is clearly an expression of enlightened self-interest:

> About 7 in 10 claim to be motivated by a desire to help the needy in the communities in which their company has plants/locations and by a desire to do what is ethically correct. But 2 out of 3 also emphasize the goals of improving local communities in order to benefit their own employees and of protecting/improving the environment in which to work and do business. Then, too, about a third hope to improve their company's public image; and about a quarter expect that their corporate giving effects will result in increased revenues/profitability and in an enhanced ability to recruit quality employees. The more self-interested goals are especially important to CEOs of fortune 1300 companies. (White & Bartolomeo, 1982:62-63)

White and Bartolomeo argue that corporate giving surely has a double agenda-one altruistic and the other selfish. They also note that business is very candid about this, suggesting this is now an acceptable and legitimate way to rationalize corporate giving programs.

Although the rhetoric of enlightened self-interest has emphasized the benefits that individual firms might realize in the future, some skeptics in the management literature have correctly pointed out that it is still almost impossible to measure these benefits and that espousing this ethic is irrational from an economic point of view. For example, McGuire struggled with the problem of measuring and evaluating the effect of enlightened self-intereston profits. He finally concluded that enlightened self-interest at best represented "a crude blend of long-run profit and altruism" (1963:143). Keim (1973) concentrates on the unresolved free-rider problems. He cites Wallich and McGowan (1970), who argue that firms may rationalize enlightened self-interest on the basis that stockholders now have diverse portfolios and thus a broad interest in the benefits that a large group of firms, even an industry, might realize if companies acted in a socially responsible way. "Thus investment decision criteria for any firm should be expanded to include consideration of a social or group rate of return in addition to a private return" (Keim, 1978:34). However, as Keim points out, in actuality investors hold stock in more than one but not in every corporation. Thus for them to advise managers to use a social or group rate of return for criteria in decision-making is irrational. "If investors have less than completely diversified portfolios, clearly owners would always prefer a company in which they had little or no interest to bear the cost of social investments with public or non-excludable benefits" (Keim, 1978:35).

Studying an Urban Grants Economy: The Minneapolis - St. Paul Case

In 1980 and 1981 Galaskiewicz (1985a) conducted an exhaustive case study of Minneapolis-St. Paul business firms and nonprofit organizations to better understand why some firms gave more money to charity than others. Interviews were conducted with 150 publicly held companies which ranged in size from one employee to several thousand. He also interviewed a stratified, systematic sample of 229 public charities and approximately 140 community leaders. The results described below are for the 69 publicly-held firms that had 200 or more employees. He first tested the proposition that company giving is prompted by the desire to win favorable public relations, respect, or legitimacy from three constituencies: customers and employees, the public, and business leaders. Next he tested the proposition that giving can be spurred by a firm's commitment to an ideology of enlightened self-interest. The results of the research are described briefly below.

Evaluating the Impact of Selective Incentives Upon Company Giving

Surprisingly, Galaskiewicz (1985a) found that controlling for pretax earnings the ratio of employees to assets (an indicator of labor intensity), the percentage of employees living in the Twin Cities area, and the percentage of sales to consumers were all unrelated to the level of company contributions in his sample of firms. The contributions-as-public-relations thesis would lead us to expect firms more dependent upon various stakeholders to be giving more money to charity, but this was not the case in the Twin Cities. However, he did find that companies that gave more money to charity or that supported charitable causes the local community elite thought important were recognized by more members of the local community elite as being very generous to nonprofits. Evidently, companies received good PR for their charitable contributions from local elites whether they intended to or not.

However, Galaskiewicz (1985a) also found that companies did give more to charity if their officers and board were in the networks of locally prominent businessmen active in philanthropic affairs. This effect was independent of pretax earnings, market position, and the birthplace of the CEO. He also found that companies that were better integrated into the social circles of the corporate philanthropic elite tended to give more money to charities that the elite either supported or used themselves. In other words, executives' social positions influenced the specific allocations that their companies made, as well as the overall amount they spent.

Furthermore, companies that contributed more money to charity or supported nonprofit organizations that the philanthropic elite itself patronized were recognized by more members of the corporate philanthropic elite as being very generous to nonprofits. Also, companies that gave more money to charity were recognized by more members of the corporate philanthropic elite as being very successful businesses, controlling for firms pretax earnings and performance ratios. In this community, a reputation as a successful business appears to have been a function of either how much a company earned or how much it gave away.

Almost all aspects of the contributions-as-social currency thesis were supported by the data. Thus it appears that this corporate grants economy depended upon a high level of status competition among firms. At the center of this competition was a group of business leaders who bestowed recognition and esteem upon companies that gave more to charity. Being subject to peer pressure, companies responded and, in turn, received status rewards for their efforts.

Support for the contributions-as-public-relations hypothesis was not as strong. Although the general community elite recognized firms that gave gifts, we did not find that the market position of a firm had the anticipated effect on the amount it gave. These findings may appear to contradict each other, but we suspect that the favorable attitudes held by the community elite were a spillover from the status games that companies were playing within the business community. In a sense, big givers were getting a bonus from their attempts to impress philanthropic leaders - those in the larger community were applauding as well.

However, firms that could have benefitted most from good local public relations were not taking full advantage of the situation. It may have been that firms were acting foolishly; or it simply may not be worth that much to companies, and the emphasis on public relations has been overplayed. Certainly the literature has found little or no correlation between business performance and being socially responsible or being regarded as socially responsible. Although they know they could derive PR benefits, companies may also have realized that impressing customers, employees, and the public at-large with their largesse has no bottom line payoff.

Evaluating the Impact of Ideology Upon Company Giving

Galaskiewicz (1985a) also found that companies that espoused an ideology of enlightened self-interest gave more money to charity, even controlling for the firm's average annual pretax earnings and the proximity of the company's executives to the philanthropic elite. In other words, rationalizing contributions on the grounds that they help to protect the long-term interests of the company or of the free enterprise system as a whole appears to have led some companies to give more money to charities. A corporate ideology of enlightened self-interest had a direct effect on company contributions; interestingly, it was the only ideological position that was positively correlated with the size of contributions. Neither rationales based on more self-seeking ends nor rationales based on community or morality, had any effect at all on the level of company giving. Collectivist sentiments apparently can move companies to contribute money to charity. However, the collectivity to be benefited is not primarily the larger community; it is the business community.

Prospects for Future Research

There are a number of new directions that future research can take. First, it can refine and retest the propositions that currently exist in the literature. Second, it can explore new hypotheses related to company giving. The discussion below will try to give some insights into how researchers might pursue both agendas.

In retesting the contributions as public relations thesis, it is imperative that analysts demonstrate clearly that customers, employees, or the public at-large change their opinions of a firm because of greater contributions to charity or more strategic giving. This requires that a sample of constituents be polled prior to a change in corporate giving policy as well as after the change takes place. Polling customers twice (both business and household consumers) is very difficult and very costly. One's customers today are not necessarily one's customers tomorrow. Polling employees is somewhat easier and polling the general public is not a problem given current technologies. However, without a pre-post design it is difficult to isolate the effect of giving on shareholders' perceptions.

There are also several other independent variables that should be able to predict the level of contributions if, indeed, the contributions as public relations thesis is correct. Analysts might do a content analysis of the business press to see which firms are being chided for unethical or unlawful business practices. We expect that firms under such circumstances would be voluntarily paying "dues" to the court of public opinion in the form of greater corporate contributions. Firms which are involved in take-over activity or which are earning extraordinarily high profits might also be giving more to charitable causes to make up for real or alleged transgressions.

As giving becomes more rational, i.e., tied to tangible benefits that the firm should ultimately realize down the road, it becomes more important to study the contributions professional or giving officer. Troy (1982) provides an excellent overview of the giving officer's role, and contributions professionals in Minneapolis-St. Paul are discussed in detail in Galaskiewicz (1985a). A central thesis of Galaskiewicz's work is that the giving officer has become a key functionary in the Twin Cities grants economy, playing a gatekeeper role for corporate dollars. In Galaskiewicz (1985b), the networks among these professionals are described and the influence of these networks on the perceptions and evaluations of these giving officers is demonstrated. More attention must be given to the way that contributions professionals intercede in this grants economy, their career paths, their backgrounds, their networks, their interests, and their ties to other actors in the firm.

Those who work within the contributions as social currency framework must address Useem's (1984) argument that corporate contributions cannot be understood completely without reference to social class. There are several ways to assess the impact of class on contributions. The simplest is to get extensive background information on the officers and the directors in the firm. Class analysis would view contributions as a carry-over of an ethic of noblesse-oblige that was perpetuated in upper class social circles and institutions and now is carried forward in the modern corporation. Even though firms might be publicly-owned, as long as control remains in the hands of upper class offspring, the practice will continue. The conventional indicators of upper class status are familiar enough, e.g., prep school, club membership, Social Register, father's occupation, lineage, etc., and are not difficult to recover.

Of equal importance is the effect of stock ownership on contributions. Another premise of class control theory is that controlling interests of major firms, principally financial institutions, is still in the hands of a network of "old family" interests. Companies whose major shareholders have upper class origins should be giving more money to charity than firms whose major shareholders are first generation wealth or large institutional investors. The rationale is simply that the former are less "greedy", will not press the firm for the greatest possible short term return on investments, and will recognize (and have an interest in) the long term social investment which is necessary to perpetuate the vitality of markets and the legitimacy of the free enterprise system.

Working still within the contributions as social currency framework, but apart from class theory, the literature desperately needs process and case analyses of how local and national business communities go about institutionalizing social controls in order to check the opportunism of newcomers who may be overly preoccupied with bottom line indicators and quarterly reports. The work of Ouchi (1984) is highly suggestive. Citing efforts by Japanese firms and the Japanese government to institutionalize social controls, he challenges U.S. firms to coordinate and plan their business strategies in conjunction with government agencies. Understanding how a system of actors can curb the overly ambitious in their ranks for the benefit of the collective interest - whether it be to extract corporate contributions or to establish fair and equitable tax policies - is critical, and researchers must be given free rein to explore these efforts.

There is also a great deal of research needed on the role of ideology and corporate culture in perpetuating contributions. An ideology of enlightened self-interest is careful to identify itself with the benefits that will accrue to the donor, yet the ideology really is more interested in the long term benefits that the firm will come to enjoy - benefits that neither the CEO nor current board of directors will ever see or get credit for themselves. A great deal of research on corporate culture is being done today using a variety of methods. Our hope is that these analysts will also examine how ideologies related to corporate contributions come to be institutionalized in the firm. One interesting prospect is outlined by Galaskiewicz (1985a) who argues that organizational structures outside the firm may be important functionaries to "socialize" the more barbaric elements in the firm. He looked at the Minnesota Project on Corporate Responsibility, however, such organizations exist at the national level as well as in other cities. Analysts need to examine how they influence corporate culture through their programs, activities, and outreach efforts to involve corporate people in community and national affairs.

Regardless of the framework, future research must take into account both the vertical and horizontal dimensions of corporate activity when studying corporate giving. Most research has looked at a population or sample of firms defined at the national level or at the industry level and looked at total contributions and other variables measured at the level of the industry or firm. We are firmly convinced that this is not enough. Companies are headquartered in geographic locales, and we believe that the firm and its executives, in many cases, become integrated into local institutions, status systems, and the like. We also believe that integration into these local control systems have an effect not only on the volume of giving but also on the type of gifts that are made. Obviously, then, analysts must design future studies in order to insure that enough firms are selected in enough different locales to make comparative community analyses feasible.

Once a comparative community design has been introduced, any number of new hypotheses are possible. For example, average company contributions should be greater in communities where business organizations such as the Chamber of Commerce are stronger, where these exist upper class institutions which are open to corporate executives, where there is greater criticism of the free enterprise system and the legitimacy of capitalism is questioned, where voluntary associations such as the United Way involve business people in setting priorities, fund-raising, evaluating nonprofits, etc., or where there are simply enough corporations to provide the critical mass for the creation of a business subculture. Furthermore, we suspect that these effects will be independent of community needs (e.g., percent of families below the poverty line, morbidity, etc.), community structure (e.g., population size, occupational distribution, etc.), and institutional response (e.g., government expenditures on health, education and welfare services). In other words, a considerable amount of the

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RETHINKING CORPORATE INVOLVEMENT: THE BUSINESS LEADERSHIP TASK FORCE

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RETHINKING CORPORATE INVOLVEMENT:
THE BUSINESS LEADERSHIP TASK FORCE

Introduction

Government, business, and community leaders are struggling to find better ways to deal with problems that affect both the community's quality of life and the business bottom line. The need to deal with these issues has involved corporations increasingly in the redesign of community problem solving. This paper provides a case study of one organization, the San Francisco Bay Area Business Leadership Task Force (BLTF), that has been successful in generating new kinds of solutions to problems of mutual concern to business and industry. The BLTF provides an alternative form of corporate involvement within the community, one that looks at new ways of defining problems, bringing together the stakeholders in the issue, and identifying new kinds of resources. While this role is complementary to traditional corporate philanthropy, it is potentially more important because of its ability to better serve the interests of both the corporation and the community.

Across the United States, recent trends have moved away from reliance on service delivery with its new programs and increased expenditures as the only answer to community problems and moved toward addressing the forces that cause a community problem and identifying new resources to use in solving it. More attention is being paid to nonfiscal types of policy solutions: using changes in government tax or regulatory policies, or business operating policies, or increasing the use of in-kind resources, rather than simply spending more money.

A related change has occurred in what we expect the institutions that deal with social welfare issues. In the past, there was a clearer demarcation between the roles played by business, government, and the community and independent sectors. However, because of factors such as the changing nature of the workforce (resulting in new kinds of social issues), a lack of confidence in government's ability to solve social problems alone, and the increasing importance of employee benefits as a cost of doing business, current approaches have involved a new view of the world, one in which the traditional distinction between sectors is blurred.

Today, many researchers and practitioners are looking more closely at nontraditional approaches to community problem solving. The President's Task Force on Private Sector Initiatives, the Committee for Economic Development, the Conference Board, SRI International, and the American Enterprise Institute have taken new looks at joint public/private approaches to community problems. These efforts have resulted in several recent studies that detailed the components essential to successful public/private cooperation. Most studies note that successful problem solving requires three important components:

(1) More careful analysis of problems, aimed at understanding causes and identifying new kinds of possible solutions.

(2) Involving a broader array of relevant stakeholders in collaborative processes.

(3) Identifying new kinds of resources to be used in solving the problems.

The BLTF has been both a response to and a contributor to thsese recent trends in community problem solving.

The Formation of the Business Leadership Task Force

The BLTF's three year history illustrates much of what is best in emerging new approaches to collaborative problem solving. It illustrates how business can bring new actors and new resources to the table and demonstrates how an organization can use a "redesign" approach to develop creative solutions to local problems. Furthermore, BLTF shows how business is increasingly involved in issues government and the nonprofit sector once had to face alone.

The Business Leadership Task Force was conceived in March 1982, when a group of Bay Area business leaders met to discuss new ways in which the business community could become more active in community problem solving. The intent behind the initial meeting was to determine whether collaborative problem solving could improve the effectiveness of corporate involvement. The firms involved were already active in the community, but were being asked to do more in the face of government funding cutbacks at local, state, and federal levels. They were also interested in doing more than simply increasing conventional corporate contributions or creating yet another public-private organization. The leaders--some influenced by past work on corporate community involvement as part of President Reagan's Task Force on Public Sector Initiatives--decided that their organization's purpose should be to promote strategic problem solving through business collaboration in addressing local problems in new ways.

In July of 1982, the Business Leadership Task Force was formally established. It consisted (as it does today) of the chief executive officers of 14 of the Bay Area's largest corporations: initially the Bank of America, Bechtel Group, Inc., Chevron, Clorox Co., Crocker National Bank, Kaiser Aluminum and Chemical Co., Levi Strauss and Co., McKesson Corp., Pacific Gas & Electric Co., Pacific Telesis Group, Shaklee Corp., Southern Pacific Co., Transamerica Corp., and Wells Fargo Bank, N.A. These CEOs make up the Principals group, which oversees the Task Force's efforts. In its first 3 years the BLTF was chaired by Jack Grey, the President of Chevron (formerly Standard Oil of California) and one of the key movers behind its formation was Leslie Luttgens, a prominent activist in the independent sector and the national as well as the Bay Area philanthropic community.

Both its purpose and its structure reflect the BLTF's concern with education and innovation. In structure, BLTF is a task force; it is not intended to be a permanent organization. Its mandate is to serve as a mechanism for promoting strategic problems-solving by collaboratively working with existing organizations and helping those organizations to take on new roles. When that has occurred, its mission will be fulfilled and the group can be disbanded. Organizationally, BLTF is designed to permit flexibility and foster innovation; it operates through a Deputies committee consisting of senior corporate executives who obtain research and staff support from SRI International on contract rather than through a permanent staff. Every year, subcommittees are formed around the specific issues the Task Force has selected for the agenda.

The process by which the BLTF selects its issues also reflects its concern with a new process of problem-solving. The issue identification process begins with an annual survey of corporate and community leaders to determine the major issues facing Bay Area businesses and communities. Once issues have been identified and defined in scope and degree, they are presented to the Principals committee, to be evaluated according to two criteria:

(1) The issue's relationship to the members' "bottom line"

(2) The degree to which the issue is a community as well as a business concern.

The issues that rank highest on both criteria are then placed on the BLTF's yearly agenda. Together, these two criteria are designed to ensure that the businesses are working on problems that are of direct concern to their own profitability (so that solution is important to senior executives), but which are also ripe for collaborative problem solving because they affect the community at large.

The result of this process has been that the issues selected have covered a narrower range than those of traditional giving programs. In its first years, BLTF has addressed--to varying degrees--the issues of health care cost containment, regional employment and training needs, summer jobs for youth, alternatives to long-term care, AIDS, work/family conflicts, child care, and the capacity of nonprofit organizations. The "bottom line" requirement tends to rule out some issues of community concern that have traditionally received corporate philanthropy, but it raises corporate willingness to provide technical assistance and examine corporate policies and how they affect problems (e.g., child care). Also, issues that solely affect business are considered just as inappropriate for BLTF action as those that are solely of community concern.

This new approach to corporate community involvement has led to two kinds of results. On certain issues, the BLTF's activities have changed the manner in which the community is dealing with a specific problem. The Task Force has functioned as a catalyst, bringing members of the community together to form a new organization, or start a new program that can address unmet needs. In other cases, the BLTF has opened the door to new community activity regarding an issue by educating the community. In both cases its function has been to define the problem, bring together the involved parties, and identify resources that can be channeled through existing organizations or programs. In every case, moreover, the BLTF has worked through other organizations rather than undertaking the effort on its own. Its partners have included independent sector groups such as the United Way and the National Alliance of Business, educational leaders from public and private institutions, state agencies, and representatives of the business community, such as the Bay Area Council.

The Two Roles of the BLTF: Lessons for the Independent Sector

The BLTF roles of educator and catalyst are new forms of community involvement that complement traditional forms of corporate activity while at the same time provoking more strategic and effective use of corporate resources.

The BLTF as an Educator

In dealing with the issues BLTF selects, a key aim is to introduce all participants to a new means of addressing community problems, looking to include new actors and develop new types of resources. The BLTF's activities, therefore, concentrate on the three components: problem analysis, stakeholder involvement, and resource identification.

The usual process of examining an issue begins with the formation of a BLTF subcommittee charged with overseeing the Task Force's activities in regard to the issue. The subcommittee, chaired by a Deputy, consists of representatives of several of the member corporations and representatives of key community organizations, government agencies, nonprofit corporations, and any other groups currently working on the issue. This group is then charged with overseeing the research process and formulating options for dealing with the problem. The results of this process are then reported to the Principals group, which then determines the final course of BLTF action. During this process, subcommittee members work with both the consultants providing research support and members of their own organizations (such as corporate benefits officers) who may be affected by these issues. Examples of past BLTF efforts illustrate how in the course of the process, each component of the redesign approach is covered.

During its first year, the BLTF selected summer youth employment as a key issue. In the process of defining the problem, the committee brought together for the first time representatives of the Mayor's Summer Jobs Programs in Oakland, San Francisco, and San Jose. The subcommittee realized that part of the problem with existing programs resulted from poor communication: many businesses interested in providing jobs for youth simply did not know which organizations were currently involved in this effort. Additionally, it was discovered that the the youth involved needed more than a paycheck--the opportunity to gain work experience was key to a successful program.

Outcomes of the subcommittee efforts included a workshop for local business covering innovative approaches to summer youth employment, sponsored in cooperation with the National Alliance of Buisness. As a result of the conference, three member corporations developed new approaches and incorporated them as part of their corporate policy. Several local communities also began a local summer jobs program (or improved the one they had), and each of the three participating cities exceeded its goal for summer job placements. In identifying new resources, the subcommittee was successful in persuading a local television station to provide on-air recognition of 27 Bay Area businesses that did something special in the area of summer jobs, generating publicity not only for the individual businesses (thus helping their "bottom line"), but for the process as well. The process was also notable for being the first regional effort to address the issue.

In its second year, the BLTF provided the same type of educational service around child care for working parents and issues facing older workers. In the area of child care, the subcommittee was charged with examining ways to improve corporate support for the child care system. In this case, the analysis of the problem was an iterative process. First, the research consultants provided a brief description of the child care system and existing needs within the Bay Area. Next, the subcommittee was formed, consisting of corporative giving, community affairs, and human resources representatives from nine Bay Area corporations. The committee then met with representatives of the child care community (e.g., resource and referral networks, children's councils and providers) and private funders. Their goal was to better understand the needs of the local child care community and identify ways in which corporate resources could be better used to meet those needs. They discovered that different employees had very different child care needs. For some, the problem was not the availability of child care, but a need for new types of benefits and flex time arrangements if parents were to meet both child care and personal needs. Additionally, the process of defining the problem also helped in identifying potential linkages between employers and providers with experience in supporting child care.

As a result of this process, the committee produced two reports, entitled "Child Care and Corporate Resources: Strategic New Directions For Bay Area Corporations" and "Employer Options for Child Care." The first report highlighted new opportunities for philanthropy and the use of in-kind corporate resources. The second was the result of an employer-sponsored conference to inform local businesses about the range of employer options in the area of child care. Options identified included child care needs analysis, alternative work arrangements, information and referral services, parent education and counseling, employee benefits, on-site child care centers, and corporate support for independent private or nonprofit providers.

Two initiatives have emerged as a result of BLTF activities. The first, which began independently, is the creation of a child care fund designed to help increase the supply of child care in areas that were identified as having a particularly severe shortage. Several BLTF member corporations have contributed to a $700,000 fund, which is sponsored by the Bank of America (a BLTF member). This fund is now supporting the expansion of child care services in Contra Costa county, the Mission district of San Francisco, and other communities. Increased corporate understanding of the child care issue, made possible by the BLTF process, was a key factor in the fund-raising. Additionally, because it was felt that child care is an issue that requires ongoing attention, a second initiative (now being formed) involves the formation of a committee that would monitor developments--such as changes in state budgets and local ordinances--that affect the quality and supply of child care in the Bay Area. The United Way is considering taking responsibility for organizing this effort.

In the area of employment issues for older workers, BLTF joined with two other organizations identified as having an involvement in these issues: SRI International and the National Commission for Employment Policy. The educational tools resulting from this effort were a regional conference, sponsored by Pacific Bell (a BLTF member corporation) and NCEP. Pacific Bell sponsored the production of a film, entitled "A New Lease on Life," documenting the needs of older workers and raising possible means of addressing them. The BLTF supported production and public distribution of a report on older workers, written by SRI International for NCEP. The film has been disseminated widely since the conference.

Until the conference stage, the main success of this effort was the joining together of the interests and resources of four organizations interested in issues facing older workers. The result was that the information generated in the process of developing the film and report received much wider dissemination than would have been possible in the absence of collaborative action. Later, during the conference, BLTF and other sponsors were able to draw in stakeholders from various other organizations. Conference attendees included the Lieutenant Governor of California and high-level public, private, and independent sector leaders. As with the Child Care committee, at this point it was decided that the BLTF would terminate its involvement with the issue of older workers, leaving that responsibility to other organizations that had become involved in the issue.

These examples illustrate BLTF's educator function. In each case, the group was successful not only in increasing the level of awareness about an issue but also in bringing interested parties together and helping them to devise mutually useful solutions to common problems. Except for the child care fund (established because a true need for increased spending was identified), important results were achieved with minimal funding.

The BLTF as Catalyst

In two issue areas, BLTF activities have extended beyond the process of raising an issue and identifying new responses to a problem. In addressing regional employment and training and health care cost containment, BLTF examination of existing efforts and capacity revealed a need for increased capacity to deal with the problem, in addition to innovative solutions. In both cases, BLTF activities resulted in new organizations whose purpose is to provide a long-term source of collaborative action in these specific areas.

Employment

The issue of regional employment and training was identified in the BLTF's first year as a major area of concern among Bay Area business and community leaders. As with the other issues selected by the BLTF, the process of dealing with the issue began with an examination of the problem. In the course of defining the problem as it existed in the Bay Area, it became clear that the changing composition of the work force, when combined with a much greater concentration of high technology and information jobs, would eventually lead to a mismatch between the needs of industry and the skills possessed by Bay Area workers. Rather than creating a new program aimed at providing training services or instruction in the skills needed for high technology and information jobs, BLTF took a new approach. In defining the problem, it was seen that dealing with the problem meant looking at ways to rechannel existing training dollars (e.g., those spent on vocational education and the community colleges), and looking to identify the reasons why existing programs would fail to meet the economy's labor force needs.

Examining the problem in depth revealed that one major flaw with the existing system was the lack of information flow between employers and training institutions. Therefore, the BLTF decided to ask the Bay Area Council to sponsor the formation of an Employment Training Forum in an effort to link employers and vocational trainers throughout the region. To date, the Bay Area Council's formation of the Forum has involved two major activities. The first was the formation of the regional network that linked community colleges (the first area of focus of the Forum) to businesses located within the region. The Bay Area Council succeeded in gaining access to $2 million in state training funds. The funds are administered by the California state Employment Training Panel (ETP), which is in charge of channeling a portion of the state payroll taxes back into the employer community, to be used for retraining workers in danger of displacement. The Council agreed to serve as an intermediary between firms and the state, offering to advise companies on how to apply for funding, and to prepare and handle applications, and locate third party trainers for employers unable to provide the programs themselves. As part of this effort, Council members will work with community colleges to determine whether they can provide the programs at a low cost.

In the process of examining the issue of employment and training, and of encouraging the Bay Area Council to ETP, BLTF and other involved organizations were successful in involving a wide range of stakeholders in the problem-solving process. The Bay Area Council secured the participation of regional business leaders. At present, representatives of several community college districts, local corporations, the state Employment Training Panel, and the San Francisco Chamber of Commerce are all involved in the issue on an ongoing basis. Plans are being developed to establish new training consortia involving groups of community colleges and four key industry groups.

The key to the success of the employment and training initiative was the three part approach: redefining the issue allowed identification of the lack of information flow; involving important stakeholders in very different parts of the community allowed addressing it; and coordinating action allowed the leveraging of existing resources that had previously gone untapped. Through this process, the BLTF and the Forum have been successful in making a major impact on the employment and training problem without dedicating significant amounts of new funding.

Health

Activity in addressing health issues provides another illustration of the three elements of the BLTF problem solving process. During the first year, the BLTF Deputies identified health cost containment as an important issue affecting both the "bottom line" of corporations (e.g., in the rising cost of corporate health benefits) as well as the community (cost to government and individuals). The initial focus--based on a definition of the problem as rising health cost--was to help organize employers in new ways, and to help promote more effective management of health cost through redesign of health benefit plans, increased utilization review, and negotiation of preferred provider arrrangements with providers. In this way, employers could act as a force for increasing competition and cost containment through their own buying power.

To achieve these goals, BLTF organized a Senior Human Resource Executives Group, composed of Senior Vice Presidents from BLTF companies, to work closely with an existing Employers Group on Health (composed primarily of corporate benefits managers from Bay area companies). The group's efforts were aimed at promoting new approaches to corporate health cost containment through both individual companies and joint activities. In this way, BLTF helped these businesses to define a problem (health cost containment), involve relevant stakeholders (the Employers Group on Health) and identify new kinds of resources to address the problem (Senior Human Resource Advisory Group.

During the third year of BLTF, it became evident that the nature of the health care problem in the Bay Area was beginning to change. Whereas the initial focus on cost containment occurred during a time of rapid health cost inflation, by 1984 a series of government and corporate actions had begun to have some impact on the health care system. In particular, the introduction of prospective reimbursement using Diagnostic Related Groups (DRGs), movement toward contracting for Medi-Cal services, and an increase in corporate negotiation of discounts under PPO arrangements had resulted in a reduction in hospital utilization, increased competition among providers and less implicit "cost shifting" from private payers to cover the cost of uncompensated care. While this new, more competitive system was slowing cost increases, it was creating problems concerning access to health care for the uninsured. Hospitals were no longer as willing to accept charity care for indigent patients who did not qualify under increasingly tight public medical programs. In this new context, BLTF changed its focus to help stimulate a new community effort to address the problem of access to health care in a competitive health environment.

A Bay Area Health Task Force (BAHTF), a coalition of providers, employers, government and community leaders concerned about the issue of access to health care, was organized by BLTF member United Way. Each of these groups has an important stake in this issue. Providers are concerned about the cost impacts of providing uncompensated care, while local governments are concerned about the budget implications of providing increased care to indigent populations through county health departments. Employers that had been promoting a more competitive health care system view the unresolved issue of uncompensated care as a threat to future movement toward increased competition. The BAHTF is the first time that these three groups have joined together in an explicit effort to address these issues.

In defining the problem, the Task Force recognized that because the access to health care was affected by several causes--ranging from changing government reimbursement practices to new competitive forces promoted by private purchasing decisions as well as increases in vulnerable population groups (i.e homeless, AIDs, refugees)--a range of different solutions must be found to the problem. The Task Force recognizes that the burden of solutions must be shared by each of the key parties involved, and will require action at several different levels--community and state as well as national. Solutions must also focus on consumers (e.g. increasing insurance coverage) and not just providers of care. In defining the problem in this manner, the Task Force has been able to identify a broad range of stakeholders and resources that must be mobilized to address this complex problem.

Conclusions

The Business Leadership Task Force is only one of several examples of organizations--or individuals--that have been successful in bringing about innovative solutions to local community problems. It presents an interesting case, however, because its explicit purpose focuses not just on the solution of one problem, but on the process of problem solving itself. For that reason, its activities present several lessons for those interested in looking for new ways to address local problems.

For those interested in corporate involvement in the community, perhaps the most important lessons concern the importance of improved problem analysis, collaboration througout the entire process, and identifying new resources that can be directed at solving whatever problem is at hand. Attention to these factors opens the door to a new kind of corporate involvement, one which goes beyond the traditional role in which business leaders are approached with proposals for new social or community programs, and asked to help with the funding. Involving corporate representatives throughout the process increases their commitment to solving the problem, allows the contribution of their own types of expertise, thereby setting the stage for greater innovation.

This new type of corporate involvement does not need to replace corporate philanthropy as a completely new role for business. If instituted as a complement to traditional corporate giving, it can help to increase the effectiveness of the dollars that are being spent. However, the emergence and implementation of this new role may in time be vital to the continuation of corporate community involvement. As other research has indicated, many businesses are at this moment going through a process of redefining their involvement within the community, looking for a strong correlation between corporate giving and their business objectives in the face of dwindling profits. Additionally, new types of firms--ones without a culture of corporate giving--are gaining a stronger presence within the economy. In the face of a declining willingness to engage in traditional philanthropy, it may be increasingly important to demonstrate that firms have a definite interest in addressing community issues (to relate these problems to the compnay's "bottom line"), and that they can make a significant contribution without necessarily donating large sums of money.

The BLTF has played a strong leadership role in furthering this new kind of corporate involvement within the Bay Area. The challenge now is for groups--from the independent, business, or local government sectors--to take the lead in developing this kind of capacity in other regions.

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SECTION FIVE - INDIVIDUAL GIVING AND VOLUNTEERING

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THE CHARITABLE BEHAVIOR OF AMERICANS
MANAGEMENT SUMMARY

by
Arthur White

Prepared for
Individual Giving and Volunteering Panel
March 14, 1986

The Rockefeller Brothers Fund commissioned this study.

About the Author: Arthur White is Vice Chairman, Yankelovich, Skelly and White, Inc., Stamford, Connecticut.

MANAGEMENT SUMMARY

Background

In early 1985, The Rockefeller Brothers Fund commissioned a nationwide research project which focused on the charitable giving patterns, preferences and peculiarities of Americans. Yankelovich, Skelly & White carried out the study with over 1,100 adults (age 18 and older) throughout the U.S.

The research represents one of the most intensive looks at American philanthropy since the work of the Commission on Private Philanthropy and Public Needs (Filer Commission) in the mid-1970s. Results of this new study confirm many assumptions made about donors in certain demographic categories. But the research also reveals surprises -- information that can have a bearing on the strategies used by non-profit organizations in approaching individuals for support.

The study results should prove valuable to development and fundraising professionals. The data will help non-profit organizations in the religious, education, civic, arts/culture, health, welfare and international fields plan more effective fund-raising approaches. These uses of the research can, finally, prompt an increase in individual philanthropy over the years ahead.

Key Findings

The research shows that an array of factors combine to motivate an individual to make a contribution -- or to avoid philanthropy altogether. Major influences include income level, life experience, age, religious involvement and marital status. Through research that focuses on these various factors, the study is able to identify certain cohorts where the odds for securing gifts from individuals can be determined by specific types of non-profit organizations.

The research also points to those methods that are most successful in converting a prospect into a donor -- along with fund-raising techniques that have a low probability of success.

Among the principal findings are:

1. There appears to be room to increase personal giving. Thirty-eight percent of those included in the study feel they should be giving more to non-profit institutions/

causes. Among reasons given for not contributing more to charity are: (a) They simply did not get around to it (23%), and (b) they were not asked to make a donation (14%).

2. The key to giving appears to be the complex judgements Americans make about how much money they have left to spend -- discretionary income -- after they have taken care of their needs. There are wide disparties in how individuals decide on what those needs are.

3. Whether one feels he or she has discretionary income is understandably related to income. Seventy-seven percent of those with annual income over $50,000 -- compared with a very small percent with annual income under $10,000 -- report a moderate amount or a lot of discretionary income.

4. But the noteworthy finding is the extent of difference between the discretionary income and giving judgements of the young (under 35 years/and older individuals). Among people with moderate discretionary income, 25% of those under 35 years are substantial givers while over 40% of those over 35 years in age are substantial givers -- those making gifts representing 3% or more of their annual incomes.

5. As a general fund-raising target, an individual in the 35-64 bracket earning $50,000+ and who is married is more likely to commit a higher percent of his/her income and, consequently, a relatively significant amount of dollars to charity than individuals in other categories included in the survey.

6. The relationship between voluntarism and giving is confirmed by the study. For instance, of the 26% of the general population surveyed who fall in the "substantial giver" category (those making gifts representing 3% or more of their annual incomes), nearly 3 our of 5 of these high-level donors say they are active as volunteers.

7. Recognizing that voluntarism can prompt giving or increased giving, the study shows a potential for increasing the number of volunteers --78% of those

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*As a matter of comparison, the profile of the individual least likely to contribute is a person over 65 with an income level of $10,000 or under who is separated or divorced.

interviewed agree that every person should volunteer some of his/her time, but only 47% of the respondents were active in volunteer circles during the past year.

8. Religious organizations/causes are the undisputed winners in attracting personal gifts -- 72% of all donations from those interviewed went to religious organizations. However, in some categories -- widowed, people over age 65, less than a high school education, and those who attend church weekly or nearly weekly -- religious contributions represent about 85% of all gifts made.

9. The research validates the most effective fund-raising technique -- one person asking another for a contribution, with this approach being especially effective among larger donors if the solicitor and contributor know each other well.

10. Almost half the people surveyed feel the U.S. government has no special obligation to help the poor in other nations -- but those most likely to say the government does have responsibilities for the poor in other countries are those under age 35 and those with annual incomes of $50,000 and over.

11. There is a "community first" mentality among most donors when it comes to making philanthropic decisions -- 62% of those in the survey say they think it is better to help people they know in their own community than to help elsewhere.

Implications

The problems, opportunities and challenges of fund raisers and consumer product marketers can be viewed as very similar or significantly different. But both groups need market data to maximize their chances of success. This study is a source of such data. Non-profit organizations can extract data that will help them earmark groups of individuals most inclined to be supportive and those that should be considered less likely to make contributions. This could bring out more efficiency in fund-raising efforts, not only leading to more success in attracting donors but even reducing the expense of soliciting support by concentrating on high probability potential donors and giving less attention to low probability individuals.*

The study also points to the fund-raising techniques to be applied in various non-profit situations. Many of these approaches are already widely recognized but others need reinforcement among some charitable organizations. The research makes it clear that --

... Voluntarism opens the door to increased giving. Organizations need to recognize that even modest amounts of time spent on volunteer service can stimulate increased contributions. Of those who claim to be volunteers, their average giving was 2.8% of their annual income -- while those not volunteering committed only 2.0% of their income as contributions. Non-profits could apparently benefit from developing volunteer opportunities which demand small amounts of time but which will build a base of involvement that will lead to added donation dollars.

... "Systemized" methods of fund-raising are the most successful. The pledge concept or the disciplined routine of giving regularly to a religious organization yields significant results -- a fact that comes as no surprise. Respondents acknowledge that they are also motivated to give when their donations are deducted from their salaries. While those in the survey say the worthiness of a cause is important in deciding whether to make a contribution, the system by which that contribution is collected is also highly influential. This suggests more attention should be given to developing improved systems for encouraging donor response -- systems that might go beyond employee

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* Profiles can be developed and used in any number of ways. For example, a non-profit with limited fund-raising dollars might use data to decide whether to solicit A or B below:

Age:65+;Income: Under $10,000	Age:35-49;Income: $30-40,000
*Strong community orientation	*Lower community interest
*Strong religious motivation	*Good giving potential - between 1%-4% of income
*50% odds that $0 given to non-religious organizations	*Odds for non-religious gift of 1% or less: 60%
*Some international interest	

deduction plans, matching gift programs, religious tithing, etc. Philanthropy-oriented organizations, such as the American Association of Fund-Raising Counsel, Council on Foundations, etc., might be urged to study and (if viable) implement creative new initiatives in this area.

... Mail solicitations are more effective than other forms of fund-raising techniques when directed toward individuals who tend to make larger donations -- aside from contribution requests made by an individual known to the donor or potential donor. This finding is significant to those non-profits that rely on mass appeals. Telethons, radiothons, phone campaigns, television commercials and media ads were all considered to be less likely to move respondents to make gifts. The recent Live Aid concert/telethon which generated an estimated $35 to $70 million in gifts and pledges might seem to run counter to this finding. However, that telethon drew (reportedly) gifts largely from an under-30 audience as well as from individuals in higher ($50,000+) income brackets. That fits with categories identified within the study as being more responsive to non-U.S. problems and needs.

Religious Contributions

Does religious giving affect other aspects of philanthropy? The answer is yes -- although religion's impact on overall giving is not clear-cut.

The study found that religious belief/convictions motivate individuals to consider giving to the following (in rank order): (a) charities that assist the poor: (b) organizations that help needy people in other countries; (c) medical charities; and (d) educational institutions. In spite of that finding, those interviewed claimed that religious beliefs really do not influence what they ultimately give in the way of a donation to non-religious causes. While the respondents might be sending a slightly mixed message, one thing is clear -- if an individual is moved to make a contribution to religious causes/programs, then that same individual is more likely to support non-religious activities than someone who does not give to a church, synagogue, etc.

Findings related to religious giving add emphasis to the general finding that people are more inclined to give when they have a close involvement with a charitable organization. Those who attend religious institutions regularly (every week or nearly every week) commit 3.1% of their annual incomes to religious charity -- those who attend once/twice a month, 1.3%; a few times a year, .7%, and never at all, .2%.

The impact of religion on the rest of the philanthropic field is also reflected in the following finding: The more substantial givers (3% of income or above) commit a larger percentage of their total contributions to religious causes than do those making smaller commitments to philanthropy.

And this is true at virtually all income levels;

	Low-Level Givers	Middle-Level Givers	Substantial Givers
Under $20,000, income...			
Proportion Given to:			
Religious Charities	43%	72%	81%
Other Charities	57	28	19
$20,000 - $39,999 income...			
Proportion Given to:			
Religious Charities	39	58	80
Other Charities	61	42	20
$40,000 and above income...			
Proportion Given to:			
Religious Charities	46	54	69
Other Charities	54	46	31

Is religion, then, "draining" contributions away from other philanthropic activities? There is no clear answer to this question. Religion not only seems to inspire philanthropic tendencies but it also competes more effectively for the contribution dollar and thereby captures an extraordinary percentage of individual gifts. It has to be assumed that when substantial donors commit as much of their giving as they do to religious activities, they are not in an position to direct higher levels of support to non-religious organizations -- even if they wanted to. On the other hand, there is no hard evidence that suggests individuals who presently give generously to religious causes would shift that support to other charitable institutions should religion be taken out of the philanthropy mix.

In many quarters it has been assumed that people in lower income brackets give high priority to religious giving. The research suggests this is accurate. Although 44% of those interviewed with incomes of $10,000 or under made no gift to a religious organization, among those who did contribute in this category, religion emerged as the dominant choice. This is similar to the findings reported by the Filer Commission in 1975. It found that individuals with adjusted gross incomes of $10,000 or less committed 70% of their giving to religion.

Overall, religion is still at the cutting edge of philanthropy. Nearly three out of four people interviewed made a contribution to a church, synagogue or religious charity during the year. If nothing else, religion has an impact on other non-profit organizations by demonstrating how to apply basic fundraising principles successfully (involvement, voluntarism, effective collection systems, motivation, etc.).

Other Charitable Contributions

On the surface, it would appear that other philanthropy is on par with funds raised for religious purposes. As with those giving to religious causes, about 7 out of 10 of those interviewed say they made a contribution to a non-religious organization during the year. But it is the level of support that represents the wide gap between the two categories of philanthropy.

The average size gift for other charitable organizations is $180 -- compared to $470 for religious groups. The mean percent of income for other charitable contributions is .7% as contrasted to 1.7% for religious groups.

For non-profits in the other charitable field, individuals in the under 30 and over 65 age brackets present special challenges. Older people, in particular, show a strong move toward religious giving in their later years. Half make no gifts at all to other charitable groups. This is significant since the research indicates that over half the people in the 65+ category have either a small, moderate or large discretionary spending capability.

The research offers a number of clues on the other than religious giving priorities of large donors. By rank order, these individuals are most responsive to the following:

- United Way (federated campaigns)
- Medical charities (heart, cancer, etc.)

- Local social welfare groups (scouts, etc.)
- International relief/assistance
- College/university
- Public radio/television
- Hospitals
- Environmental groups
- Other (arts groups, libraries, other educational charities, etc.)

However, while the odds are lower that a larger donor (defined as one making total contributions of $500 or more in a year) would support a college than a medical charity, when a gift to higher education is made, the size of the contribution is considerably larger than a commitment to a medical charity. Note the mean amounts listed below:

Recipient Group	Mean Contribution
College/university	$ 270
Educational charity	250
United Way	210
Hospital	170
Local social welfare group	150
Medical charity	90

What is even more interesting is the stimulus that non-profit groups can give to prompt large donor gifts. For the most part, such donors either take the initiative and make contributions without being asked, 4 out of 10, or are solicited by individuals they know. In the case of public TV/radio, 4 out of 10 large donors admit that they are moved to action by an advertisement. The same is true in the international field. Over 30% of the large donors will react to a letter appeal when it is from a college or university. And 21% of the large donors acknowledged that they give to the United Way as a result of a company-organized campaign. Development departments in other than religious, non-profit organizations would do well to use these data in formulating fund-raising strategies.

While the menu of contribution choices is wide in the other than religious field, it is the absence of any "regularized" way of making a gift that seems to have an effect on dollar amounts collected. Only 11% of givers to other than religious charities state that they attempt to give a fixed percent of their incomes to such charities each year. Just 5% say they have a total in mind as to how much they should give annually.

Applying Research Results

The study delineates a number of issues and concerns that might make up an agenda for a charitable giving action plan --

1. Educate the under 35 population to the importance of American philanthropy. Individuals in the 35 and under age group are not as generous as those in other age categories (as measured on a percent-of-income basis). The report offers explanations as to why this is the case. Nevertheless, it is clear that this population needs special attention -- not just to upgrade their present giving patterns but to ensure that they will not sustain their low giving habits as they get older. A campaign dedicated to conveying this message could have long-term benefits to philanthropy at large.

2. Encourage new modes of voluntarism. The traditional view of volunteering is that it requires a major commitment of time on the part of the individual taking that step. Non-profit groups need to come up with a variety of limited-time volunteer activities which will build allegiances to organizations without requiring significant allocations of time. Enough statistics exist to show that the rate of voluntarism has remained stable and, therefore, the amount of volunteering has not increased significantly over time. Accordingly, non-profits have to be more creative in their views on volunteer opportunities.

3. Capitalize on the high percentage of people who feel they should be giving more to charity. While 9 out of 10 people interviewed made a contribution during the past year, nearly 40% felt they should be giving more. Some may be restrained from doing so by economic conditions. Many simply need motivation. The research points to techniques that can be applied in different ways to different cohorts. Non-profits should be given help, where needed, to design strategies that take advantage of this information. Some corporations and foundations are extending grants to non-profits to promote individual giving (e.g. Exxon Education Foundation, etc.). This research suggests such an approach has definite merit. There is a gift-giving potential among individuals that has yet to be realized.

4. Encourage the development of new mechanisms for making gifts. As noted earlier, it is both the cause and the system that combine to prompt giving. Religious organizations have designed effective patterns of "regularized" support. Employee deductions work to help

a few other charities. But there is a need for other approaches which will cut away roadblocks to giving -- to help overcome the loss of gifts which occurs because people are not asked to make a contribution or just never get around to making the commitment.

5. Set a giving target for Americans. The study confirms that on average Americans give about 2.4% of their income to charity. A public awareness campaign that would encourage people to move toward a higher percent of income goal could have major ramifications in the non-profit field. As already noted, a sizable percentage of Americans feel they should be giving more than they do. By setting giving objectives, it might encourage these people to plan and commit resources for philanthropy. Would such a move have a negative effect on those substantial givers now giving more than 3% of their annual income? It is unlikely that these individuals would reduce their giving, particularly since religion influences many of these more substantial donors -- and religious fund-raising efforts would not be impaired by this kind of campaign. This research could serve as the basis for a public awareness program that might include carefully developed media reports, advertisements and other public relations activities. It is an activity that could be sponsored by a coalition of organizations concerned about sustaining and bolstering the charitable giving of Americans.

WORKING DRAFT

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A VALUES PERSPECTIVE ON THE REASONS WHY PEOPLE GIVE AND VOLUNTEER

by
Terese Tricamo

Prepared for
Individual Giving and Volunteering Panel
March 14, 1986

About the Author: Terese Tricamo is a Consultant in the Values and Lifestyles (VALS) Program at SRI International.

INTRODUCTION

An important question facing philanthropy today is "Why do people give?"--either of their time or of their money. Certainly part of the answer is opportunity: Can the individual give? Was the donor asked to give or to participate? Is he or she knowledgeable about a cause? Is the location of the organization easily accessible to volunteers and are the activities compatible with their schedule?

But opportunity is only one factor. It does not explain differences in giving among seemingly similar people. Among a group of individuals living in the same city, about the same age, and having roughly the same amount of discretionary time and money--why is it that some give and others do not? Why, among those who give, do some give more than others? And why are certain appeals answered and others ignored?

These questions hold the key to an important and sometimes overlooked aspect of philanthropy: In giving, donors receive. The experience of giving satisfies some of the donor's personal needs and desires--perhaps spiritual, perhaps altruistic, perhaps self-serving. Which of these are satisfied depends on the individual's values structure or measure of worth. The person who evaluates the tax implications of a gift has a values structure different from that of an individual who investigates the potential recipient's stand on specific political issues. And both such people are different from those whose giving is rooted in compassion and charity. A major challenge facing philanthropic organizations today is to understand the values of individual donors and potential donors so that giving and volunteer work can fulfill these personal needs and desires.

This paper briefly describes research done at SRI to discover just what values people actually do hold and how they relate to philanthropy. Future research using a values perspective is recommended to better understand the motivations behind giving and volunteer work.

RESEARCH ON AMERICAN VALUES AT SRI INTERNATIONAL

The Values and Lifestyles (VALS™) Program at SRI International has been studying the values of different segments of American society for the past 8 years. Over 180 companies and not-for-profit organizations have supported our research and are using our data and insights to enhance their marketing, advertising, strategic planning, and human resource development. Our research offers promising perspectives on the motivation for giving.

Segmentation, the basis of our work, is the process of distinguishing and describing relatively homogeneous groups in the population. It is a powerful approach to analyzing and predicting human behavior. Very often, characteristics that explain people's motivations and predict their decisions are hidden when the population is examined as a whole. If particular segments have a stronger than average inclination toward an idea or a product or a service, they can be efficiently "targeted," in media advertising, direct mail solicitation, and special events programming.

Four main segments have been identified by VALS™. Each has a characteristic set of personal values. The segments are subdivided into nine lifestyle types on the basis of attitudes and demographics. We call this segmentation scheme the VALS™ typology (see Figure 1).

The typology is hierarchical. Many people grow from one level to another as children, as adolescents, and as adults. Some very few may start at the bottom and reach the top within a lifetime, but far more common is movement of a level or two. (Readers who are familiar with the VALS™ typology may want to skip the following description of the segments.)[1]

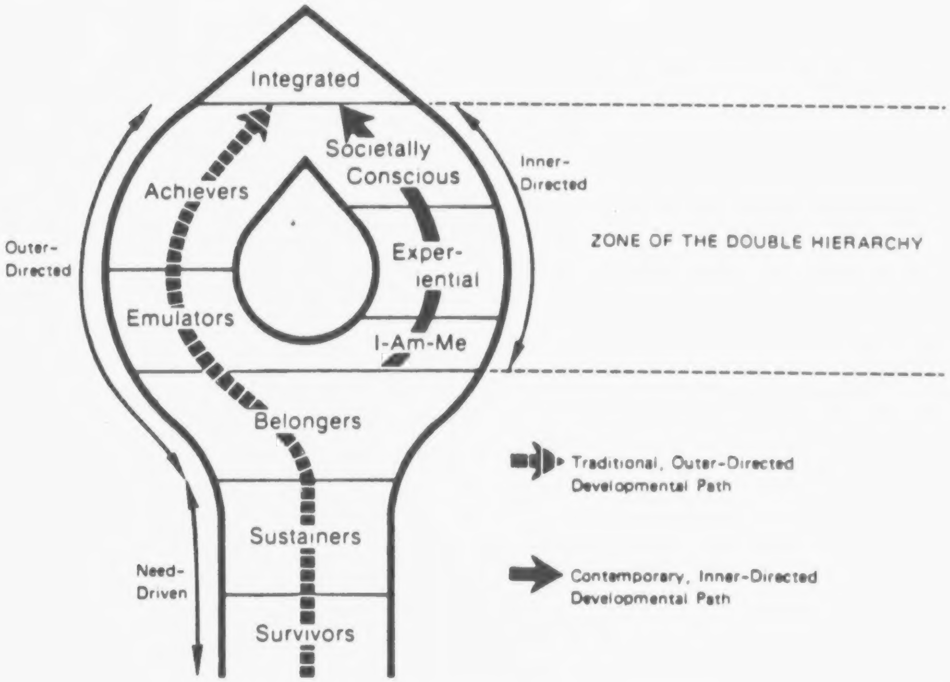
Integrated
Societally
Conscious
Achievers
Inner-
Directed
Outer-
Directed
Exper-
iential
ZONE OF THE DOUBLE HIERARCHY
Emulators
I-Am-Me
Belongers
Traditional, Outer-Directed
Developmental Path
Sustainers
Need-
Driven
Contemporary, Inner-Directed
Developmental Path
Survivors

FIGURE 1 THE VALS DOUBLE HIERARCHY

The Need-Drivens (11% of population)

Need-Drivens are the poorest of all Americans and live their lives in response to basic needs rather than desires. Safety, security, and survival are their key concerns.

Survivors (4%). Survivors are the most disadvantaged in our society by reason of their extreme poverty, low education, old age, and limited access to upward mobility. Many, now infirm, once lived lifestyles associated with higher levels of the VALS™ hierarchy. Others are ensnared in the so-called "culture of poverty."

Sustainers (7%). Sustainers are a group struggling at the edge of poverty. They are better off and younger than Survivors, and many have not given up hope. Their values have advanced from depression and hopelessness to expression of anger at the system, and they have developed a streetwise determination to get ahead.

The Outer-Directeds (68% of population)

The Outer-Directeds comprise much of what we call the cultural mainstream. They conduct their lives in response to signals--real or fancied--from others. Consumption, activities, attitudes--all are guided by what the Outer-Directed individual thinks others will think.

Belongers (38%). Belongers constitute the large, solid, comfortable, middle-class group of Americans who are the main stabilizers of society and the preservers and defenders of family, church, and the moral status quo. Belongers tend to be conservative, conventional, and conforming. Their key drive is to fit in--to belong--and not to stand out.

Emulators (10%). Emulators are trying to burst into the upper levels of the system--to make it big. In truth, however, many are not on the right track. They are ambitious, upwardly mobile, status conscious, macho, competitive. Many are intensely distrustful and have little faith that "the system" will give them a fair shake.

Achievers (20%). Achievers include many leaders in business, the professions, and government. Competent, self-reliant, efficient, Achievers tend to be materialistic, hard working, oriented to fame and success, and comfort loving. These affluent people are the defenders of the economic status quo, and they are among the best adjusted of Americans.

The Inner-Directeds (19% of population)

People we call the Inner-Directeds conduct their lives primarily in accord with values private to the individual. Concern with inner growth is a cardinal characteristic.

I-Am-Me's (3%). I-Am-Me's are in a short-lived stage of transition from Outer- to Inner-Direction. They are typically young, fiercely individualistic, narcissistic, and exhibitionistic. People at this stage are full of confusions and of emotions they do not understand.

Experientials (5%). Experientials are people who most want direct experience and vigorous involvement. Life is a light show at one moment and an intense, often mystic, inner experience the next. These people are probably the most artistic and the most passionately involved with others. They express strong opinions on many social and human issues.

Societally Conscious (11%). The Societally Conscious have extended their concerns to society as a whole--in fact, sometimes to the globe. A sense of responsibility leads them to to support such causes as conservation, environmentalism, and consumerism. They are impassioned and knowledgeable about the world around them. Many are attracted to simple living and the natural.

Combined Outer- and Inner- Directed: Integrateds (2% of population)

At the pinnacle of the VALS™ typology is a small group we call the Integrateds. These rare people meld the power of Outer-Direction with the sensitivity of Inner-Direction. They are fully mature in a psychological sense--able to see many sides of an issue, able to lead if necessary, and willing to take a secondary role if that is appropriate.

This typology was developed by a gifted social scientist at SRI, Arnold Mitchell. Conceptually his work draws on many fields of study including developmental psychology. His original research was theoretical, but over the years the group of researchers and consultants who form the VALS™ Program have tested and confirmed his ideas. Extensive research has been conducted on the VALS™ types, who can be identified with a short battery of questions.

VALS™ has proven most effective when demographics alone fail to explain a person's behavior or opinions. In a recent study of attendance at the performing arts (e.g., dance, theater, opera, concerts), the VALS™ perspective proved to be highly effective in shedding light on which people enjoy which types of performances and not others.[2]

Recent preliminary and limited investigations indicate that particular VALS™ types are likely to give to certain kinds of organizations (e.g., health, religious, environmental) and not to others. Also, certain types have a strong interest in volunteer work while others do not. These findings warrant further investigation from a values perspective. The VALS™ typology is one research tool, and it is best used in conjunction with others. Certain aspects of giving may indeed be related more strongly to demographics than to psychographics. For example, substantial gifts of wealth undoubtedly come from affluent people, and tithing is most likely to be found among particular religious communities.

GIVING AND VOLUNTEER WORK AMONG THE VALS™ TYPES

Our exploratory investigations on philanthropy among the VALS™ types are best described in the context of certain attitudes these types hold. Some of these are reported in Table 1. We think that Belongers, for example, express their strong fundamentalist religious views in their giving to religious organizations, just as Societally Conscious express their views toward the environment and education in their giving to these types of organizations.

Our research on donations (Table 2) reveals that close to 60% of the population in our 1984 national survey gave money to health organizations by mail in the 12 months prior to the survey. Among Achievers, however, 71% gave. Achievers as a group are consistently among the most likely to give to a wide range of organizations. Other research indicates that they are most satisfied of all types with the opportunities available in this country--and perhaps the most grateful for these opportunities. Belongers are also more likely than average to give to health organizations with 66% of them donating. The Inner-Directed groups--I-Am-Me's, Experientials, and Societally Conscious--are all less likely than the population as a whole to give, as are Emulators and the less fortunate Need-Drivens.

The pattern of giving to religious groups across the VALS™ types has some similarity to that of giving to health organizations. About 45% of the population gives to such groups by mail. Achievers are again more likely than average to give. But the group most likely to do so is Belongers. Inner-Directeds are below average, as are Sustainers. Emulators and I-Am-Me's are least likely to give, perhaps reflecting a feeling that worldly things are more important in their lives than charitable concerns. Survivors, despite their poor circumstances, are as likely to give as others the population. Members of this group, on the average, are older than other VALS™ types, and religion may have more relevance to them. They, like Belongers, have the highest confidence in organized religion.

Universities and colleges get large numbers of Societally Conscious donors--33% versus 19% for the population as a whole. This is not surprising considering that Societally Conscious have the highest educational attainment of all the VALS™ types. Achievers are also above average in their likelihood to give, as are I-Am-Me's--many of whom may be recent graduates. Emulators show the least interest in giving to institutions of higher education, although as a group they are better educated than Belongers and Sustainers and strongly believe an improved education system is important for the country.

TABLE 1

SELECTED ATTITUDES OF THE VALS™ TYPES
(Percent Agreeing Strongly)

	Total Pop.	SUR	SUS	BEL	EMU	ACH	IAM	EXP	SOC
Just as the Bible says, the world literally was created in six days	27%	46%	21%	42%	17%	20%	18%	6%	4%
I feel that ideals are powerful forces in me	12	11	3	10	9	15	9	16	21
The American economic system has given me excellent opportunities to improve my position in life	14	5	3	15	5	21	4	6	16
The need to conserve energy has been exaggerated	9	20	6	12	5	8	8	6	4
I would not work at my job if I could have the same income without working	32	51	24	33	43	24	34	38	31
Children should be taught to think for themselves even though they may do something their elders disapprove of	30	29	30	26	20	27	31	47	48
I favor increased federal aid to higher education	35	43	45	31	30	32	32	45	48
I believe, that compared to 5 years ago, more people are interested in establishing long-term personal relationships	24	17	22	22	24	23	32	31	32
I don't trust the Russians to keep their side of any agreement on nuclear disarmament	59	65	49	70	57	62	43	45	34

Source: 1984 VALS™ Leading Edge Survey.

Table 2

DONATIONS BY MAIL AND PUBLIC SERVICE ACTIVITIES BY VALS™ TYPE
(Percent)

VALS™ Type	Donated to Religious Group	Donated to Health Association	Donated to Educational Institution	Donated to Environmental/ Consumer Group	Worked as Volunteer	Engaged in Fund-raising
Survivors	43%	40%	11%	6%	2%	1%
Sustainers	30	32	15	11	3	3
Belongers	57	66	17	12	6	4
Emulators	19	44	6	6	5	4
Achievers	50	71	24	17	13	10
I-Am-Me's	19	21	22	6	9	5
Experientials	24	35	18	22	11	7
Societally Conscious	34	56	33	24	20	12
Total Population	44%	58%	19%	14%	9%	6%

Note: Survey questions pertained to donations and activities over the past 12 months.

Sources: Data on donations (made by mail) come from the VALS™ 1984 Leading Edge Survey. Data on volunteer work, including fund-raising, are from VALS™/SMRB 1984. The results of the VALS™ 1984 Leading Edge Survey are based on a national probability sample of over 2,000 individuals. Over 13,000 respondents comprise the joint 1984 VALS™/Simmons Market Research Bureau (SMRB) data base.

Environmental/consumer organizations are popular with the Societally Conscious. Nearly twice as many Societally Conscious give to organizations like the Sierra Club and Public Cause than the population as a whole. The Societally Conscious have the least confidence of all the VALS™ types in advertising and hold strong views in favor of protecting the environment. The other Inner-Directed groups (Experientials and I-Am-Me's) share many of the attitudes that Societally Conscious hold, but are far less likely to donate money. Achievers, who have a somewhat conservative stance toward environmental and consumer issues, nevertheless give, realizing perhaps that conservation and attentiveness to customers make good business sense.

The most striking aspect of our data on volunteer work and fund-raising is the participation rates for the Societally Conscious. These individuals, at the front end of the baby boom (60% of them are between 30 and 45 years of age) are well-educated, hold professional or executive positions, and earn considerably higher than average incomes. These are not the self-centered "yuppies" of recent media fame, however. The Societally Conscious are twice as active as the population as a whole (although we do not have information on hours donated), and are well worth pursuing. But, because they are a small segment of the population, they make up only 27% of all volunteers and 24% of fund-raisers. Achievers constitute an important 30% of those who have volunteered and 34% of fund-raisers. Belongers' participation rate is considerably lower than that of the other groups, but because there are so many of them they constitute 26% of all volunteers and 25% of all fund-raisers.

We surmise that the fund-raising opportunities that would attract each of the VALS™ types varies. Societally Conscious, for example, who pride themselves on their problem-solving abilities, might want to take on responsibility for decision making in an agency to which they give their time. Because of career demands, they may be most available during evenings and weekends. Opportunities which might interest Achievers most are ones in which some goal can be tangibly achieved, such as raising a specific amount of money to build a hospital. Achievers are results-oriented. They too are probably most available during evenings and weekends.

Belongers have most opportunity for long-term and daytime volunteering and fund-raising since many Belongers do not work or are retired. Because Belongers express a stronger desire than other types for being told what to do at work rather than figuring such things out for themselves, they may be less concerned with autonomy in the tasks they perform when volunteering than Achievers and Societally Conscious.

A group with fine potential as volunteers is the Experientials. They may be attracted to intense opportunities (such as Live Aid) where relationships with other volunteers can be developed.

DIRECTIONS FOR FUTURE RESEARCH

Many of the topics listed here may seem old hat to researchers in the field, but the new wrinkle on these questions would be the cross tabulations of the answers with the different VALS™ types. Extensive existing research on the VALS™ types would serve to help guide promotional activities and advertising.

The first area in which further research is needed concerns the nature of giving and volunteer work and the particular reasons why people give. Such information is valuable in predicting what can be expected from different segments of the population based on past giving behavior. This information includes:

- The amount of money and time that is given in aggregate over a year's time.
- The number and types of organizations to which donations are made; the amount and form of the donation (money, goods, time); and whether the donation is made in a lump sum or spread out over a period of time.
- The method of payment (cash, check, or credit card) or delivery of goods. (We surmise that the Achievers, who take pride in their efficiency, would like to pay by credit card as would

Societally Conscious. Installment paying may suit Belongers, but Experientials, Emulators, and Sustainers, who are less likely to have roots in a community, may be less dependable in following through.)

- The seasonality of the giving. For which segments or VALS™ types are the holidays or the end of the year a particularly generous period? (Achievers may be interested in tax benefits.)
- The habit of making donations to the same organizations year-after-year. Are some people more habit-prone than others? (Experientials may be the most willing to "try out" new giving opportunities--especially for volunteering--whereas Achievers, Belongers, Societally Conscious, and Survivors may desire continuity.)
- The relative importance of the organizations. If, for example the donor fell on particularly hard times, which organizations might be cut from his/her list? Which organizations would the individual give more to if he/she had particularly good fortune? This information would be valuable in projecting trends.
- The method of solicitation the donor responded to (direct mail, personal contact, TV program). Such information is important for ascertaining the optimal mix of promotional strategies to use in reaching a segment. (Achievers might feel a degree of pride in being singled out, but others--possibly Societally Conscious--might be offended. Societally Conscious tend to make decisions following their own evaluations of the situation.)
- Whether or not the donor sought out the organization after hearing about it or reading about it in a magazine or newspaper is important as well. (The Societally Conscious may be the most active in seeking out a cause.)
- Whether the donation was made spontaneously or after long consideration. Who, if anyone, was influential in encouraging the donation? Who, if anyone, was consulted before the donation was made? (With regard to purchases, we know that Sustainers, Emulators, and I-Am-Me's are impulsive buyers of such items as those near the checkout line in stores, whereas Societally Conscious and Achievers are more thoughtful. Achievers and Belongers often refer to experts or authoritative sources of information.)

The second and most important area to investigate is the myriad motivations that inspire giving and create a satisfying experience for the donor. Themes such as duty, obligation (either religious or societal), fear, immortality, control, compassion, charity, self-interest, peer-pressure, and recognition for one's self or business can be tested for their overall appeal to particular segments.

We sense that Belongers, who are more sentimental by nature than others, would respond to themes of compassion and charity. The same is true for Need-Drivens. Duty, another Belonger theme, would also appeal to Achievers--many of whom may realize that they have reached a stage in life where giving is expected. Societally Conscious and Experientials may be best approached through explanations of how their contributions would make the world a better place. Solutions which have far-reaching impact, such as training Third World farmers to improve their agricultural methods, would probably be more appealing to them than shorter-term relief efforts. Neither of these Inner-Directed groups watch much TV, but fund-raising programs that have a documentary rather than evangelical tone might interest them if the programs showed such solutions being put into action.

Some other ideas that can be explored in this part of the research are:

- Whether different VALS™ types give to different causes for different reasons.
- Whether control over how the gift will be used is an important determinant of giving--and to which types of organizations. (The option of donor designation is probably more interesting to Societally Conscious than it is to other groups.)
- What kind of information about an organization do particular segments respond to? Is administrative overhead a concern? (Inner-Directeds might question it, whereas Outer-Directeds might view it as the legitimate cost of getting the job done.)

A third area to explore is what would encourage people to give more. Is the convenience of paying through one's paycheck or by credit card or having goods picked up at home important? Would greater knowledge of opportunities increase giving or would sponsorship by particular individuals, and, if so, which ones? (Rock and movie celebrities might be appropriate for Emulators and Sustainers but not for certain other types.) If there were greater opportunities to develop a relationship with others through giving and volunteer work, would more people be interested? Is more information about the cause or the organization important?

CONCLUSION

A smorgasbord of opportunities for giving and volunteer work exists in this country. Some individuals choose to partake heartily and others do not. Bringing to individuals those opportunities which are most satisfying to them is the current challenge to philanthropy. If philanthropic organizations attend more closely and listen more carefully to the needs and desires of their donors and potential donors, their effort will surely be rewarded.

The Values and Lifestyles Program at SRI has been developed as a tool for listening to and measuring the needs, desires, and values of Americans. Arnold Mitchell's initial ideas have been developed and tested in the marketplace. We know these concepts work. But my colleagues and I are not just interested in the cogency of the ideas, or in their effectiveness at selling more soapsuds. We like the work we do because we are ourselves committed to enhancing the efficacy of humane values in American life. Nothing would make us happier than to see this work used, not only in the business of buying and selling, but also in the thoughtful, caring business of giving and receiving.[3]

NOTES

The author would like to acknowledge two of her colleagues at SRI--Jay Ogilvy for his support and comments and Betty Smith for editorial assistance.

1. This description of the VALS™ types is extracted from an article written by Arnold Mitchell, "Styles in the American Bullring," published in Across the Board, March 1983.

2. The findings of this VALS™ study, The Professional Performing Arts: Attendance Patterns, Preferences, and Motives, can be purchased from the Association of College, University and Community Arts Administrators, Inc. (ACUCAA), 6225 University Avenue, Madison, Wisconsin 53705-1099. A review of the report appears in the September 1985 issue of Fund Raising Management.

3. For further reading on VALS™:

   The Nine American Lifestyles by Arnold Mitchell, Macmillan Publishing Company, Inc., 1983.

   "Beyond Demographics" by James Atlas, The Atlantic Monthly, October 1984, pp. 49-58.

   "Wizards of Marketing: How companies Can Look Inside the Consumer's Head," Newsweek, July 22, 1985, pp. 42-44.

   "VALS™: Perspective in Support of Values-Based Giving," by Daniel Hansler, Fund Raising Management, May 1985, pp. 104-105.

   An interview conducted by Daniel Hansler of FRA, Inc., with Jay Ogilvy, VALS™ Director of Research, and Terese Tricamo will be appearing in the Winter issue of NSFRE Journal.

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INDIVIDUAL MOTIVATIONS FOR GIVING: THE ROLE OF INFORMATION AND EMOTION

by
Robert J. O'Connor

Prepared for
Individual Giving and Volunteering Panel
March 14, 1986

About the Author: Robert J. O'Connor is the Director of Research, United Way of America

INDIVIDUAL MOTIVATIONS FOR GIVING:
PRODUCT KNOWLEDGE VS. EMOTIONS

I. Introduction

How much knowledge do people want or need when they make a decision to give money to a charitable organization? Is charitable giving to fund-raising federations such as United Way a low-information or a high-information decision? Related to this it would be good to know whether people give primarily for emotional reasons or rational reasons. This paper uses a unique database, United Way of America workplace surveys, to explore these and related questions.

Logically, it would appear that if donors give primarily for emotional reasons they would require very little information about the charitable organization at the time of their giving decision. Consequently, advertising and other communications could have a very low informational component. On the other hand, if donors give for primarily rational reasons, then it follows that they would want more information. It also follows from this that advertising and other communications addressed to donors would have to have a higher informational content.

Of course, this is an overly simplified view in several respects. If one considers the cost of acquiring information, some fairly rational decision-making can occur without the decision-maker having to acquire complete information.[2] Second, it is unlikely that motives for giving are quite as clear-cut as outlined above -- many givers could conceivably decide on the basis of both emotional and rational factors. A person who uses "Consumer Reports" to narrow his automobile decision down to three choices, and then chooses the one which looks best to him or her is probably intermingling both rational and emotional reasons. Third, it is possible that even emotional appeals need some rational basis for the emotional appeal to work. Appeals for the hungry and homeless require that the potential contributor believe that there is in fact a problem.

It may well be, in short, that the strict dichotomy between rational and emotional reasons for giving is not a helpful way of looking at people's machinations for giving. This paper will, in the course of the discussion, shed some light on the degree to which donors have "mixed motives" for giving, as well as assess the degree to which information influences the giving decision.

II. Methodology

The survey data upon which this research is based were gathered between 1982 and 1984, in a cooperative effort between United Way of America and local United Ways. United Way of America designed a survey instrument for use by local United Ways. While this instrument went through several evolutions, there is a large body of questions common to all three versions of the survey.

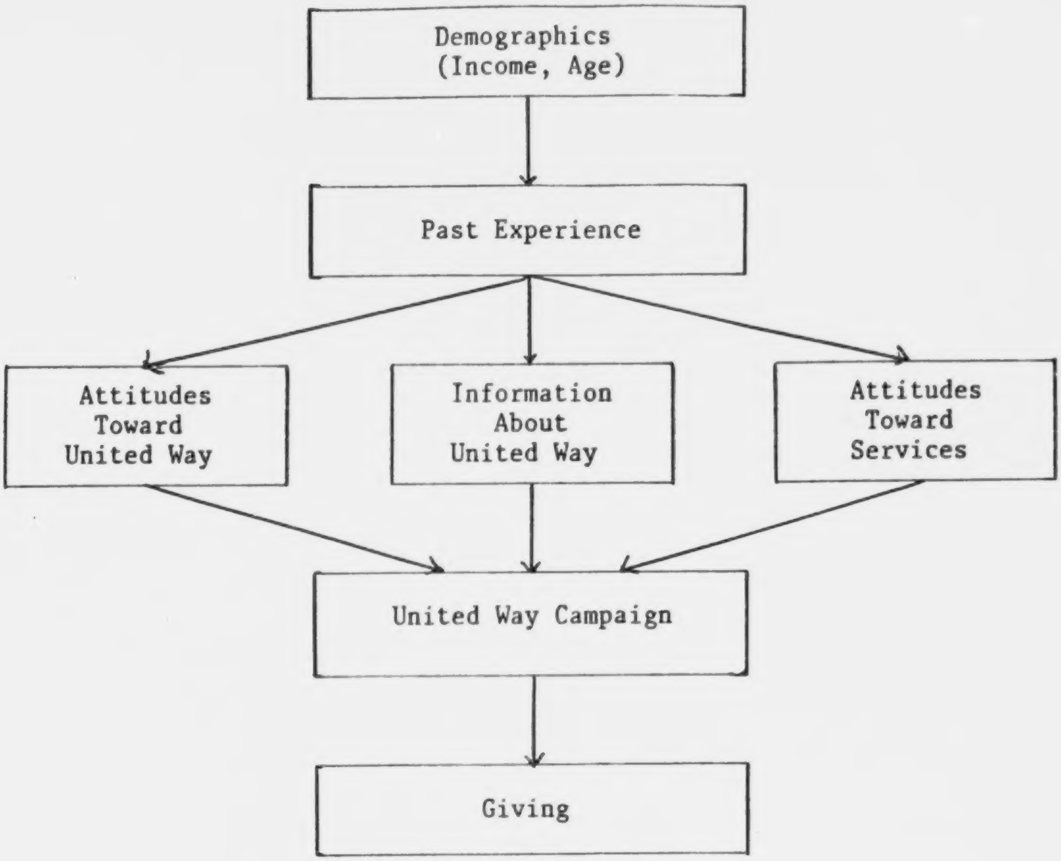
Participating United Ways in the workplace survey programs then administered the survey in companies or workplaces in their solicitation area. It is fair to say that while guidelines were given for how to sample and administer the surveys, actual practice was not uniform. Once the surveys were gathered, local United Ways sent them to United Way of America for processing. After each survey was processed, the local United Way received an analysis of the data. As a by-product, a datafile from each survey was kept at United Way of America, and eventually the surveys from the participating United Ways were aggregated together in a national database. The national database, upon the conclusion of the workplace survey research program, consisted of over 11,000 respondents from 108 workplaces in 31 separate cities. The questionnaires contained items on respondents' perceptions of the importance of various United Way functions, the importance of supporting various services, exposure to various United Way campaign techniques, demographic items such as income, age, education, and several items measuring what kinds of information respondents had about United Way. This analysis relies on the most recent questionnaire used; 4,719 usable surveys were gathered using this questionnaire.

Previous research with these databases has suggested the utility of a simple model of the factors influencing the giving decision (shown in Figure 1)[3]. For the purpose of this paper, we will basically compare the impact of "information about United Way" with the impact of more general attitudes about United Way on the giving decision.

We will begin our exploration of these issues by reviewing those questions which measure information and general favorable feeling toward United Way. Then, we will examine the extent to which they are related to the giving decision, and to each other.

FIGURE 1

THE DYNAMICS OF THE GIVING PROCESS


Demographics (Income, Age)
Past Experience
Attitudes Toward United Way
Information About United Way
Attitudes Toward Services
United Way Campaign
Giving

III. Measures of Information

Two questions in the questionnaire measure information directly. One question asks respondents, "out of each dollar that people give to the United Way, about how many cents do you think are actually distributed to agencies and groups that help people?" This is a measure of how the respondent perceives the efficiency of United Way in terms of passing through the money donated to the agencies and groups that help people. At the same time, it is an item to which there is a correct answer; for our purposes, an answer is correct if the respondent indicated 81 cents or more were passed through to agencies and groups. Although many local United Ways struggle to increase their range of services to the community while keeping costs down, on average, overhead costs continue to hover at or about 10 percent. Therefore, allowing 81¢ as a correct answer is fairly permissive.

Table 1 shows that a substantial proportion either did not know what percent of the dollars raised were passed through (27%) or gave an answer that was incorrect (51%).

TABLE 1

GIVING RATES AND
KNOWLEDGE OF EFFICIENCY

Perceived Amount Distributed to Agencies		Percent Giving By Perceived Amount
Don't Know	27%	60%
0-30¢	12	56
31-60¢	20	64
61-80¢	19	75
81-100¢	22	88
	100%	

The second question measuring information asks people to indicate who they think makes the allocations decisions for United Way. Here, a "correct answer" is harder to determine, since "a committee of volunteers" and "donors" could be equally correct depending upon the local United Way's use of donor option. But the "professional staff of United Way" or the "agency staff" can safely be defined as incorrect answers.

Table 2 shows that 24% did not know the answer to this question, another 45% chose either agency staff or United Way staff, 3% chose donors and 28% made the "most correct" choice," a committee of volunteers."

TABLE 2

GIVING RATES AND
KNOWLEDGE OF WHO DECIDES ALLOCATIONS .

Perceived Decision-Makers		Percent Giving By Perceived Decision-Maker
Don't Know	24%	57%
Agency Staff	8	58
United Way Staff	37	71
Donors	3	61
Volunteers	28	82
	100%	

Does it matter whether people know these facts about United Way, in terms of their giving behavior? A look at the second column in Tables 1 and 2 shows how the percentage giving varies as information increases.

Several findings are worthy of note: (1) On both questions, people who have accurate information have the highest giving rates. (2) The giving rate for those who don't know (57-59%) is well below the average for this database (68%); and (3) The efficiency question shows us a more consistent relationship with giving than does the "Who decides?" question. In fact, believing that United Way staff decides (an "incorrect" answer) is associated with a higher giving rate than is believing that donors decide (a more nearly correct answer). Perhaps the presumed expertise of the staff, as opposed to one's fellow donors, is a positive benefit to these respondents. To facilitate the analysis, an information score can be created by combining the responses to these two questions. If we give the most correct responses to each question a score of 4, the next most correct a score of 3, and so on, and add the scores for each question together, we get a combined information score which ranges from 8 (correct answers to both items) to 0 (don't know on both items).

As Table 3 shows, about 12% gave a don't know response to both items, and about 12% gave a correct response to both , with a substantial range in between.

TABLE 3

RESPONDENTS BY INFORMATION SCORE
AND GIVING RATE

Information Score	Percent of all Respondents	Percent Giving	Percent of Givers
8	12%	90%	16%
7	8	81	9
6	10	78	11
5	10	73	11
4	16	71	17
3	12	60	10
2	15	62	13
1	5	54	4
0	12	51	9
	100%	100%	100%

Perhaps 20% can be considered well-informed on these two items, with scores of 7 or 8, another 20% moderately informed, with scores of 5 or 6, with the remainder showing lower levels of information.

The second column of Table 3 shows us what we would expect, that the percent giving does increase consistently with higher information scores. Overall the consistency of the increase in giving or information increases is impressive. There can be little question that as respondents' information increases, so does their giving rate.

This relationship between information score and giving persists even when we control for income and age, two of the prime determinants of giving.

Looking at Table 3 another way, we can answer one of the questions asked at the beginning of this paper: is giving to a federated fund-raising organization such as United Way a high or low-information decision?

Looking at the proportion of givers who are poorly informed (Column 3 of Table 3), we find that about 36% of givers have information scores ranging from 0 to 3. For these respondents, giving probably was a low-information decision. However, for another 39% with scores from 4 to 6, and for the remaining 25% with scores from 7 to 8, it would be very misleading to view the giving decision as a low-information one.

Further, we should not forget that with each increase in basic knowledge, the percentage giving increases, so it does not appear to be productive to encourage a low-information fund-raising campaign.

We will use the information score again in this paper to assess the relative impacts of information and favorable attitudes.

IV. Measure of Favorable Attitude

The one general measure of generally favorable attitudes toward United Way is the question, "How do you feel about the United Way's campaign to raise money?" As Table 4 shows, 65% have a generally favorable view of United Way.

TABLE 4

ATTITUDE TOWARD UNITED WAY CAMPAIGN

	Percent of Respondents
Very favorable	28%
Somewhat favorable	37
Undecided	19
Somewhat unfavorable	10
Very unfavorable	6
	100%

This general measure of approval is probably not as "emotional" as one would hope, but neither is it especially "rational" as a factor influencing giving. It is best described as an overall feeling toward the campaign.

Now we are in a position to examine the extent to which favorable attitudes are related to information. That is, to what extent does a general, favorable assessment of the campaign depend upon having information about United Way? This relationship is shown in Table 5.

TABLE 5

FAVORABLE ATTITUDES TOWARD UNITED WAY CAMPAIGN
BY INFORMATION SCORES

Information Score	Percent Favorable
8	81%
7	71
6	75
5	72
4	66
3	54
2	57
1	55
0	57

Table 5 shows that having low amounts of information (scores 0 to 3) is related to a lower proportion having favorable views of United Way. Only those respondents with at least medium amounts of information have favorable attitudes at or above the average for the database (65%). Those with high amounts of information are more favorable to the campaign than the average. This relationship is confirmed by more rigorous correlational analysis.

What we see, then, is that matters are more complicated than commonly realized: the amount of information the respondent has and his or her favorable attitudes are in fact related to each other. That is, people with more favorable attitudes toward United Way are more likely to be well informed, and those who are well informed are more likely to have favorable attitudes. This allows us to give a partial answer to the emotion/rationality issue: information and favorable attitudes are more interrelated and intermingled then the rational/emotional dichotomy would suggest.

We can take this analysis one step further by examining the joint effect of information and favorable attitudes on the giving decision and on the size of gift. Looking first at Table 6, we see that of those who have a very favorable view of the United Way campaign but scored 0 on the information measure, 77% gave to United Way. Among that same group of those with very favorable attitudes, but who had high information scores (7 or 8), 95% gave. This pattern holds also for those somewhat favorable, for those neutral to the campaign, and strikingly, even for those who are not favorable to the campaign.

At the same time, among those who are well informed, general feelings about the campaign do have an impact. Clearly, the highest percentage of participation is found among those who have both fairly high levels of information and who have generally favorable views of the campaign, and it is hard to say which of the two is more important.

TABLE 6

PERCENT GIVING BY INFORMATION AND FAVORABLE ATTITUDES TOWARD UNITED WAY

		Information Scores		
	No Information (0)	Low (1-3)	Medium (4-6)	High (7-8)
Very favorable	77%	76%	83%	95%
Somewhat favorable	67	64	77	88
Undecided	37	51	59	67
Somewhat unfavorable	61	46	68	75
Very unfavorable	24	51	51	65

If we consider the size of the contribution among those who give, Table 7 tells us a different story. Among those with very favorable to neutral views of the campaign, it appears that information is much more important than favorable attitudes in influencing the size of the gift. However, the amount of information has little consistent effect on those with unfavorable attitudes toward the campaign.

TABLE 7

SIZE OF DONATION BY INFORMATION AND FAVORABLE ATTITUDES

		Information Scores		
	No Information (0)	Low (1-3)	Medium (4-6)	High (7-8)
Very favorable	$102	$ 62	$110	$206
Somewhat favorable	$ 62	$ 55	$ 95	$165
Undecided	$ 46	$ 51	$ 83	$133
Somewhat unfavorable	$118	$102	$105	$115
Very unfavorable	$142	$120	$180	$130

A more rigorous analysis utilizing multiple regression to adjust for the affects of income and age, leads to the same conclusion. Generally favorable attitudes to the campaign have more impact on the decision to give than does information; but information has more impact on the size of gift than do favorable attitudes, which have little or no impact on the size of gift.

So it appears clear that basic information about a fund-raising federation can have a significant positive impact on the giving decision and an even greater impact on the size of contribution. Further, to some extent generally favorable attitudes themselves are related to how much information the respondent has, casting a great deal of doubt on a rational/emotional dichotomy. If "emotional" appeals lack some "informational ingredients," they may yield results much less productively than a judicious mix of information and emotion.

Finally, for roughly 64% of the givers, it is misleading to characterize their decisions as a "low-information" decision. But it may be well to look at this from another angle -- the motives respondents cite for giving to United Way. While a generally favorable attitude toward the campaign is closer to "emotion" than product information, it makes assumptions that may not necessarily be valid. A generally favorable attitude toward the campaign could occur if one knew an important aspect of how a charity worked, and therefore felt good about that charity's fund-raising efforts. In short, one could feel "very favorable" for very rational reasons. This suggests we should take a closer look at motivations for charitable giving.

II. Rational Versus Emotional Reasons for Giving

One of the key items in the workplace surveys was asking the respondent to indicate in rank order the three most important reasons why he or she contributed. Table 8 below shows the question wording and the proportion choosing each reason as their first most important reason for giving. The most popular reason chosen, by far, was "my donation helps other people" (35%). Interestingly, the next most popular reason was, "I had an interest in one or more agencies." Only 6% chose the most clearly emotional reason, "It made me feel good." [4]

TABLE 8

MOST IMPORTANT REASON FOR GIVING

Reason	Percent
1. It made me feel good.	6%
2. It incorporates many agencies into one appeal.	9
3. It strengthens my community.	6
4. Payroll deduction is a convenient way to give.	2
5. I had an interest in one or more of the agencies supported by United Way.	13
6. My donation helps other people.	35
7. My employer strongly supports United Way.	6
8. The United Way directs my donations to charities that most effectively meet the needs of my community.	9
9. I know how the money is used.	.5
10. Other people around me donate money.	.5
11. My employer expects me to donate money.	10
12. My contribution is tax deductible.	1
13. Other	1

One question might be, does the proportion of people with high information scores vary with the kind of reason given? One would suppose that respondents giving because "it makes me feel good" will need less information than those who give because "I know how the money is used." This in fact is the case, as shown in Table 9. If we use the 20% who fall into the higher information category (scores 7 and 8) as a benchmark, we can compare how being well-informed varies by reason for giving.

The percentage who are well-informed is lowest among those who gave because it made them "feel good" or because "payroll deduction is a convenient way to give." The proportion well informed reaches a peak with those who gave for one of three reasons: (1) it strengthens my community (41% well informed); (2) the United Way directs my donations to charities that most effectively meet the needs of the community (38%); and (3) it incorporates many agencies into one appeal (37%). Of those who chose "I know how the money is used," 33% are well informed.

TABLE 9

Reason		Percent Well-Informed by First Reason for Giving %	Percent Very Favorable United Way Campaign
1.	Made me feel good	15%	44%
2.	Many agencies in one	43	37
3.	Strengthens community	41	41
4.	Payroll deduction	16	30
5.	Interest in agency	21	27
6.	Helps other people	23	38
7.	Employer supports strongly	16	12
8.	U.W. directs donations	38	62
9.	I know how money used	33	50
10.	Others give	8	23
11.	Employer expects	17	4
12.	Contribution is tax deductible	16	16
13.	Other	24	18

In the same table, we can examine the proportion of respondents with very favorable attitudes toward the campaign by their first reason for giving. And here we begin to see the variety of ways information and favorable attitudes vary by the motive for giving. The reason associated with the highest proportion well-informed "it strengthens my community," is also associated with high proportions with favorable attitudes toward the campaign (41%). Similarly, the highest favorable rating (62%), associated with "United Way directs my donations," is also one of the motives associated with being well informed (38%).

Only two reasons combine low information with reasonably favorable attitudes toward the campaign: those who gave because it made them feel good and those who found payroll deduction convenient. By and large, reasons associated with high levels of information also show high levels of favorability.

Finally, a reasonable hypothesis is that the reason for giving can have an impact on the size of gift. That is, since levels of information are related to size of gift, we might expect that more "rational" reasons for giving would be associated with a larger gift.

As Table 10 shows, the highest gifts are associated with reason 8 (The United Way directs my donations.), reason 2 (Incorporates many agencies into one appeal.), reason 3 (It strengthens my community.) and reason 11 (My employer expects me to give.). Giving because "it feels good" is associated with a smaller gift ($85); the convenience of payroll deduction as a motive for giving is associated with the smallest average gift ($43).

TABLE 10

SIZE OF CONTRIBUTION
BY FIRST REASON FOR GIVING

Reason	Average Size of Gift
1. Made me feel good	$ 85
2. Many agencies in one	$133
3. Strengthen community	$124
4. Payroll deduction	$ 43
5. Interest in agency	$ 65
6. Helps other people	$100
7. Employer strongly supports	$121
8. U.W. directs donations	$163
9. Know how money is used	$ 67
10. Others give	$ 48
11. Employer expects	$130
12. Contribution is tax deductible	$ 91

It appears that reasons related either to product knowledge or to expectations within the company produce the most sizable donations. The emotional "it made me feel good" is associated with a smaller donation.

Examining second reasons for giving (not shown) shows a similar pattern: "incorporates many agencies in one appeal" ($142), "strengthens the community" ($142), and "United Way directs donations" ($131) are associated with larger donations. Lagging somewhat behind is "my employer expects me to give" ($121). Even smaller gifts are associated with convenience of payroll deduction ($75) and surprisingly, "I know how the money is used" ($82). Giving because "it made me feel good" is near the lower end of the range, associated with an average gift of $80.

The pattern shifts somewhat when we reach the third most important reason for giving, although the convenience of payroll deduction remains the reason associated with the smallest gift. "I know how the money is used" is associated with the largest average gift ($191), with "my donation helps people" next with an average gift of $123. "It made me feel good," while not the lowest size gift, is near the bottom of the range with an average gift of $90.

Clearly, the pattern is consistent: reasons which indicate some knowledge of United Way or some rational consideration of its benefits are associated with larger gifts. Reasons associated with convenience or the warm emotional glow of giving are related to smaller gifts.

Because previous research has shown that income is a very powerful determinant of the size of the donation, it is important to see if these results hold up when income is taken into account.[5]

The first question is, does the first reason for giving chosen by respondents vary with income? Table 11 shows the reasons for giving by income category. There are some strong patterns in the data: giving because "it made me feel good" becomes less frequent as income increases. Giving because of the convenience of payroll deduction, never a very popular choice, declines with increasing income. Interestingly, so does having an interest in a particular agency. "My donation helps other people" remains the most popular reason across all income segments, although it becomes less dominant in the higher income groups.

TABLE 11

FIRST REASON FOR GIVING
TO UNITED WAY BY INCOME

Reason	under $15,000	$15,000 24,999	$25,000 34,999	$35,000 44,999	$45,000 or More
1. Made me feel good	10%	4%	4%	3%	3%
2. Many agencies in one	6	8	10	12	19
3. Strengthens community	6	5	7	6	10
4. Payroll deduction	3	3	2	1	1
5. Interest in agency	14	15	12	6	7
6. Helps other people	40	37	31	35	28
7. Employer supports strongly	6	7	6	9	1
8. U.W. directs donations	5	7	9	14	17
9. Know how money used	*	*	*	1	*
10. Others give	*	*	1	*	1
11. Employer expects	6	10	14	12	5
12. Contribution is tax deductible	1	1	2	1	1
13. Other	3	3	4	2	4

* Less than ½ of 1 percent.

Three motivations for giving become more common with increasing income: "United Way directs donations to charities that most effectively meet the needs of the community;" and "it incorporates many agencies into one appeal," and "it strengthens my community."

Employee expectations-related reasons tend to increase with income, and then decline in importance at the highest income levels.

These findings suggest that the relationship of size of gift to the reason for giving could indeed be influenced by the fact that reasons for giving do shift somewhat as one moves from lower to higher income groups.

TABLE 12

SIZE OF CONTRIBUTION BY
FIRST REASON FOR GIVING AND BY INCOME

Reason	under $15,000	$15,000 24,999	$25,000 34,999	$35,000 44,999	$45,000 or More
1. Made me feel good	$36	$66	$132	*	$394
2. Many agencies in one	$45	$63	$104	$155	$306
3. Strengthens community	$34	$67	$141	$120	$309
4. Payroll deduction	$29	$45	$ 54	*	*
5. Interest in agency	$37	$56	$ 69	$139	$181
6. Helps other people	$39	$62	$104	$177	$365
7. Employer supports strongly	$26	$78	$199	$243	*
8. U.W. directs donations	$79	$78	$138	$206	$338
9. Know how money used	*	*	*	*	*
10. Others give	*	*	*	*	*
11. Employer expects	$33	$76	$ 61	$268	$156
12. Contribution is tax deductible	*	$43	*	*	*
13. Other	$60	$70	$257	*	$227

*Respondents too few for reliable estimate.

Table 12 shows that in fact the size of contribution, with some minor fluctuations, increases for each reason as income increases. The impact of income is very striking. For example, following reason 6 across income groups shows the size of donation increasing from $39 to $365, a very substantial increase. Within a given income group, taking those with income of $25,000-$34,000 as an example, the range is typically less, from a low of $54 to a high of $195. However, the reason for donation does still seem to have an impact. Within each income group, several reasons appear to be related to larger gifts -- reason 7 ("the United Way directs my donations," and reason 3 "it strengthens my community." For most income groups, these reasons are associated with a larger gift. At the same time, the size of gift associated with "it made me feel good" is not that far behind.

The conclusion to be drawn from this is that there are differences between the various reasons for giving in terms of the size of gift, with product knowledge and expectations usually related to larger gifts than emotion. At the same time the much smaller gifts related to giving because "it made me feel good" seem to be in large part a function of the fact that upper-income individuals are much less likely to cite "feeling good" as a reason. Those few who do, however, do give quite generously.

A fair judgment would be that "rational" reasons are probably more important in influencing size of gift than are "emotional" reasons, and are at the very least, as important as emotional reasons.

It seems fair to conclude that the more "rational" product-related reasons are generally associated with a more sizable donation, even taking account of income. At the same time, the "emotional" reason is not as negative an influence on size of gift when the effects of income are accounted for. Clearly, though, this in practice means that larger gifts require appealing to higher income individuals, who are most likely to contribute for more rational reasons.

Conclusion

It is clear that information plays an important role in influencing charitable contributions. As the amount of information increases, so does the proportion giving and so does the size of gift. Further, those individuals with more information are more likely to have favorable attitudes toward United Way.

When the relative impact of favorable attitudes and information are compared, it turns out that favorable attitudes have more impact on the decision to give, but information has a greater impact on the size of contribution.

It is also clear that more "rational" reasons for giving are related to larger donations, partly but not solely because higher income individuals are less likely to give for emotional reasons.

Turning to the questions we raised at the beginning of this paper, is charitable giving a low-information decision? As we saw, it can be for 36% of givers. However, there are a substantial proportion of givers (64%) who are fairly well informed. Finally, the charity receives more generous donations from the informed giver. Clearly, substantial charitable giving is not a low-information decision. So in short, charitable giving responds to information and it seems counterproductive and inaccurate to view the decision to give as a low-information decision.

Second, do people give for primarily emotional or rational reasons? To a considerable extent, they give much more generously when they are giving for "rational" reasons, and not that large a proportion choose "it made me feel good" as their most important reason for giving. At the same time, the proportion giving is influenced by general attitudes toward the campaign, and when one controls for income, "feeling good" does generate reasonably sizable gifts.

Overall, however, it appears that the emotional appeal's impact has generally been misstated. People give for a mixture of emotional and rational motives but the rational ones seem paramount. Emotion without product information is not likely to prove as fruitful as an approach which communicates certain key basic facts about the organization, using emotional appeals only as a supplement or additional motivator.

NOTES

1. Brenda Robinson, Research Associate, United Way of America assisted with the data analysis in this paper.

2. The concept of "satisficing" addresses how rational choices occur if the cost of requiring information are considered. See Simon, 1955.

3. See O'Connor, 1985.

4. See O'Connor, 1985.

5. See Morgan, 1977, for a discussion of open-end responses on why people give. Consistent with the findings in this paper, efficiency of the fund-raising effort is an important product characteristic for an organization to have.

# The views presented in this paper are those of the author, and do not necessarily reflect those of United Way of America.

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TOWARD A CENTRAL THEORY OF THE PHILANTHROPIC ACTIVITIES OF THE WEALTHY

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TOWARDS A GENERAL THEORY OF THE PHILANTHROPIC ACTIVITIES OF WEALTHY INDIVIDUALS

With the exception of journalistic accounts and a few path-breaking studies (e.g. The Foundation Formation, Growth, and Termination Study at Yale University), research on philanthropy has generally neglected the distinctive philanthropic initiatives and economic decision making of the wealthy. The major obstacle to such research, of course, revolves around the problems of access. Even research specifically designed to study the relation of income and philanthropy has been forced to settle on a relatively low definition of the the "upper-income" category in order to insure an adequate sample size. As a result, findings described as portraying the philantrhopic practices of upper-income individuals in fact tell us little about the wealthiest 1% of the income distribution. Left unanswered are a range of important questions concerning those characteristics that distinguish the wealthy (especially from the affluent) in the realms of money and philanthropy.

Besides the accelerating growth in the number of wealthy individuals (U.S. News and World Report, 1986), the effort to answer such questions gains theoretical and practical import for a number of reasons. First, even though non-wealthy individuals as a group contribute a greater absolute amount of time and money for charitable purposes, the substantially larger and more concentrated per-capita commitments of the wealthy are often instrumental in either initiating or ensuring the viability of the philanthropic efforts to which the non-wealthy contribute time and money. Second, the contribution of larger gifts often involves a response to unmet social needs through efforts unhindered by the mediating institutions of the market and the state, and as such, embodies an implicit critical evaluation of the role of the market or state in addressing such need relative to the abilities of private philanthropy. Third, contributors of larger gifts, more often than givers of smaller gifts, participate in formal and informal networks of givers who share social purposes and who as a group attempt to encourage others to contribute to these goals. Finally, contributors of larger gifts tend to both influence and determine the nature and direction of their beneficiaries more than other givers; on the micro-level, they often play a greater role in shaping or influencing the priorities, activities and character of the organizations and efforts to which they give time or money; on the macro-level, wealthy philanthropists tend to more actively set rather than simply respond to local and national priorities (Ostrander, n.d.; Useem, 1984).

In an effort to investigate these and other aspects of the practices and orientations of the wealthy in regard to money and its public uses, the T.B. Murphy Foundation Charitable Trust has funded the Study on Wealth and Philanthropy. This two-year study, conducted by the Social Welfare Research Institute at Boston College, specifically investigates:

- the consequences of changes in financial status for the evolution of one's goals and purposes;
- the meaning of money as a means to achieve non-economic personal and social goals;
- the distinctive effect of personal financial security on the extent and type of philanthropic involvement;
- the motivations and purposes of giving;
- the leadership role of the wealthy in setting social priorities; and
- the community of givers with which individual donors identify and associate.

The research entails both intensive interviews and a national survey. At the present we have completed over half of our anticipated 125 interviews with a selected sample of wealthy individuals and with a number of experts on current philanthropic trends. In addition, we have prepared a set of survey questions on subjective orientations and financial practices which have been attached to the 1986 Survey of Consumer Finances currently being administered by the University of Michigan's Survey Research Institute to a national random sample of 4200 individuals as well as to a special national random sample of 400 high-income individuals (over $200,000 gross annual income). Taken together, these two methodologies will provide an indepth understanding of the public use of money by the wealthy as well as a substantial amount of detailed comparative information on the social status, ideological beliefs, and philanthropic practices of the population as a whole.

In the space of this report it would be impossible to comment even briefly on the full range of topics and themes that have surfaced thus far in the course of our research. Our purpose in the following pages, therefore, will be limited to outlining a theoretical framework for the study of wealth and philanthropy, discussing in turn the various elements comprising (1) a general theory of philanthropy; (2) a theory of wealth and philanthropy; and (3) a conceptual framework for analyzing the philanthropic consciousness and practices of the wealthy.

Theoretical Considerations

The fundamental characteristic of theory as distinguished from description is the effort to document not just the existence of concomitant variation but to explain the social logic or causal relationship underlying this systematic pattern of variation between independent and dependent variables. Given this basic requisite, theoretical work should strive to encompass various levels of abstraction, to incorporate structural conditions, and to explain the historical variation in the relationship between variables.

In regard to our current considerations, this requires, first, that a theory of wealth and philanthropy be embedded at a higher level of abstraction in a general theory of philanthropy. That is, a theory of philanthropy should endeavor to explain simultaneously the giving by both the wealthy and the non-wealthy, the giving of time and money, and the giving by individuals and corporations. Such a proscription, however, should be taken as an ideal; not as a dogmatic litmus test. The point is that the total theoretical context of giving should be kept in mind when developing theoreticial perspectives about any particular aspect.

A second requisite of theory is that it should address structural issues. This means that theories of philanthropy should incorporate an understanding of the structural or institutional environment that simultaneously induces certain beliefs and practices and constrains others. As such, the social environment limits (see Wright, 1978) the range of options for individual variation within certain boundaries set by the fundamental political, economic, and cultural relations shaping society's core activities (as articulated in the economy and the state). In the area of philanthropy, as we shall argue, this means that much is to be learned from examining whether and in what ways patterns of non-legislated contributions of money and time grow out of and buttress the weaknesses and strengths of society's core institutions. For example, in the social and economic environment of the capitalist market system, it is important to note the extent to which philanthropy becomes articulated with entrepreneurial activity, either by mirroring such activity in form or content, or in addressing some of its deficiencies (Young, 1980).

A final characteristic of a comprehensive theory is that it be historical. This means that the object of study is not only those patterns of variation which exist within the structural requirements and constraints of a society at a particular point in time but also how these variations and structural limits themselves vary over time (Dickinson, 1970; McCarthy,1982).

Although little more will be said directly about these three crucial aspects of theory in the subsequent sections, our formulation of the theoretical framework of the relation of wealth and philanthropy explicitly takes them into account.

A General Theory of Philanthropy

In an industrialized free enterprise economy, the predominant mechanism for carrying out the social exchange of time and money is through the labor market. In the labor market individuals offer labor time in exchange for a contracted amount of earnings. These earnings, in turn, are exchanged for goods and services through product-market transactions with firms in the business sector. It is of course a matter of intense controversy whether either of these transactions occur in an environment of relatively equal bargaining power and full information as assumed by the proponents of the market system.

Nevertheless, it has long been recognized that for certain groups of individuals and social institutions (such as libraries, hospitals, cultural organizations, etc.) socially necessary or desirable outcomes have not been provided by the untrammeled workings of the market economy. Although we make no effort here to trace the history of governmental and private initiatives to define and respond to the social needs left unfulfilled by the market, it is clear that such responses have grown substantially to where they now perform a major role in complementing or in some cases even replacing the market as the means to fulfill social needs (Douglas, 1981).

In theoretical terms, exchanges in the labor market are intended to elicit both a sufficient level of work and to provide a sufficient level of income for individuals to meet their household needs for material, political, cultural, and spiritual goods by allocating their income in accord with their preferences. When either the amount of income is insufficient or the expressed preferences are not socially constructive, government or private efforts have intervened most often by utilizing measures which redistribute resources. Consequently the amounts and priorities of such intervention become objects of struggle and debate themselves.

The point is that certain crucial social conditions must exist for government and private efforts to emerge as dominant forces in [illegible] society. The first is the accumulation or concentration of resources which can then be distributed. The government accumulates its resources and makes its distributions within the familiar system of legislatively mandated taxes and transfers. The private sector does so through "extra-legal" or "extra-governmental" mechanisms inextricably connected to the structural conditions of the free enterprise economy. The second is the inability of certain individuals to translate their preferences or needs into an effective mechanism for fulfilling them. At one extreme, are those individuals who are unable to make this translation because of a lack of income. Structural contradictions in the capitalist economy (Castells, 1980) persistently produce a simultaneous tendency toward the under-provision for needs among a significant proportion of the population and toward the creation of an objective interest in maintaining this disparity among a smaller segment of the population. From these considerations we can derive the central characteristics of a general theory of philanthropy.

In reference to the foregoing, we define philanthropy as the voluntary or non-legislatively mandated accumulation and distribution of resources to meet unfulfilled needs and interests. In the context of the current free-enterprise political economy of the U.S., this definition implies the following:

(1) that the institutional framework provides the means for the private accumulation and concentration of redundant resources;

(2) that variation in this accumulation and concentration of resources is directly connected to an individual's or organization's structural position within the market

economy; those owning or controlling the wealth generating agencies have a greater ability to accumulate redundant resources than those who are employed, who in turn, have a greater ability to accumulate such resources than those outside the paid economy.

(3) that unmet social needs must exist; explanations for the existence of such unmet needs range from lack of creative insight on behalf of individuals or government, to insufficient work effort, to subordination in the labor market.

(4) that incidence and degree of severity in unmet social need is inversely related to the relative position in the realm of accumulation of those individuals expressing a need for them.

(5) that preferences for reproducing or transforming the contradictory social order must be actively mobilized; the political-economy is neither automatically self-regulating nor inevitably evolutionary; and

(6) that variation in efforts to effectively assert personal preferences for social outcomes is directly related to an individual's ability to mobilize personal or organizational resources.

This structural context of philanthropy, one in which there exists a tendency toward the simultaneous and causally interconnected production of the need for philanthropy and the means for carrying it out, suggests, finally, a theoretical basis for demarcating variation in the goals and types of philanthropy. Philanthropy can be differentiated, therefore, not just on the basis of the kind of vehicle it employs, the actors involved, or the specific arena in which it operates. More importantly, it can be distinguished on the basis of whether it is directed toward transforming (from either the left of the right) or reproducing the institutional framework that provides the basis for its existence in the first place. That is, philanthropy must be examined in relation to how it grows out of, and in turn acts upon, what Gordon, Edwards, and Reich (1982) call "the social structure of accumulation": the specific political-economic environment composed of all the the social practices and meanings, that affect the "possibilities for capital accumulation" (22), and determine the viability of a particular era of capitalist production.

Wealth and Philanthropy

The general theory of philanthropy just outlined serves as the basis for specifying how the particularly distinctive attributes of wealth shape both the philanthropic practices of the wealthy in particular and the nature of philanthropy in general. The most obvious starting point is to note that the mere existence of abundant resources induces a wealthy person to think more systematically about the disposition of them, if not for reasons of efficiency or ideology, at least for reasons of rational tax practices. Our research tells us much about this as well as about the fact that some among the wealthy expend as much time "working" at disposing of their resources philanthropically as at earning them through their businesses and investments.

But the most important theoretical point to be made about the distinctive contribution of wealth to an understanding of philanthropy is that wealth affords individuals the means for moving from being simply consumers of the social agenda to being producers of it (Mavity and Ylvister, 1977). In our earlier discussion, we noted that philanthropy can be understood as a way of redistributing resources to individuals and organizations to enable them to obtain or provide for expressed needs. In economic terms, philanthropy helps translate those needs and preferences into effective demand by providing the means by which individuals or organizations can engage in concerted efforts to achieve their goals. Looked at in another way, the small per-capita contributions of money by middle and lower income groups for religious, political, or social purposes, may be conceived of as consumption activities. They are, in this sense, consumer responses to pre-established needs and goals. Their conformity is in part structurally pressured because they require a convergence of interest and effort by numerous individuals in order to spur the accomplishment of a goal such as the support of a neighborhood church.

The philanthropic contributions of money and time by the wealthy may often operate alongside the contributions of the non-wealthy in exactly this way. We must add, however, that this response represents only one polar position along a continuum of philanthropic activity by wealthy people of increasing degrees of responsiveness, influence, control and innovation. At the other end of this continuum is a more significant pattern, one which actively shapes rather than responds. We find that the substantially larger per-capita contributions of the wealthy when purposefully leveraged toward accomplishing certain goals are able to more individually and directly spur the production of desired ends by in effect creating the means (i.e. structures and institutions) needed to produce them. This exists in sharp contrast to simply "matching" one's interests and concerns with pre-existing efforts, modifying existing structures, or compromising with others over desired goals.

In a manner akin to the entrepreneurial act of starting a business, the philanthropic efforts of the wealthy are able to "produce" social movements, political candidates, grass roots organizations, low-income housing, hospital wings, science reporting on public radio, libraries, research projects, religious doctrine, and the easing of hunger. This does not mean that wealthy philanthropists single-mindedly pursue a crudely self-interested public agenda or single-handedly accomplish it--our research indicates that only a few do either. But the fact remains that the most telling characteristic of philanthropy when conjoined to wealth is its potential to actively create the public agenda by directly producing the institutions capable of achieving that public agenda. Because of this, it is necessary to amend the more conventional elitist and class theories that explain the influence of the wealthy on society as derived from the wealthy holding positions of power or influencing others who do (Domhoff, 1970; Useem, 1984). Through concerted philanthropic efforts, the wealthy, for good or for ill, for progressive or conservative ends, actually produce (rather than simply run or influence) the organizational world at the cutting edge of society.

Conceptualizing the Individual Production of Philanthropy

In order to properly locate the individual diversity in philanthropic behavior within its historical and structural context, it is necessary to conceptually delineate the significant variables that combine to produce the philanthropic endeavours of the wealthy. Our analysis rests on the belief that differences in individual philanthropy are produced by the cluster of historically specific cultural, economic, and social structural factors which circumscribe the position of wealthy individuals in the world. Factors such as one's position in the life-cycle, class position, ideological or religious beliefs and instiutional roles all serve to frame an individual's philanthropic practice. However, all such factors do not have the same causal status in the formation of philanthropic orientations and action. Accordingly, the analysis of our data is guided by a conceptualiztion which distinguishes between various factors according to their hypothesised causal status.

Using the theoretical and cultural analysis of Giddens (1985) and Bourdieu (1984), we have divided the factors that constitute individual philanthropy into three conceptual categories: structure, habitus, and practice. As used here, structure represents the "material conditions of existence", the "objectivated" aspects of social identity and existence. It consists of the a priori conditions which define the boundaries of both habitus and practice. Structure therefore includes such variables as: class location, level of education, degree of wealth, life experience (personal, career, age), and the demographic variables of gender, religion, regional location and ethnicity.

Habitus consists of attitudes and orientations, and reflects the realm of intervening variables. It is the dimension of social life which resides within the perceptual framework of the actors themselves, represented by flexible yet structurally preconditioned dispositions manifest at both a conscious and unconscious level. Thus we examine respondent perceptions of money, wealth, and class-generalized belief (political, religious and personal/moral), as well as perceptions and beliefs about practice itself--in this case, about philanthropy.

Finally, practice reflects structure and habitus as they become operationalized into behavioral outcomes, with the specific focus here on philanthropic behavior. We therefore examine the basic characteristics of gift-giving (size, amount, natures of gift and recipient), as well as the models used, and the patterned social contexts in which giving occurs. This conceptualization allows to isolate the discrete factors which serve to constitute different modes and types of individual philanthropy and, in so doing, allow us to achieve a systematic understanding of philanthropy as a distinctive social practice and not just a matter of descriptive differences between individuals.

The theoretical perspective outlined in the foregoing sections remains tentative and will be revised in the light of our further research. But even as it stands, it serves to locate philanthropy within the larger sweep of political-economic theory as structurally conditioned by the contradictions in the free-enterprise economy and articulated to the social structure of accumulation characterizing each historical period. Within this framework, a theory of wealth and philanthropy, emphasizes the distinctive potential of the wealthy to create rather than simply support an organizational structure for accomplishing their social agenda. In moving from theory to empirical analysis, however, it is also necessary to delineate a conceptual framework that emerges organically from the theory and serves to identify the central variables. Based on the specific theory of wealth and philanthropy ennunciated above, the major categories for analysis we have derived direct our attention to the intricate interplay between structure, culture, and practice.

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SECTION SIX - WHO VOLUNTEERS AND WHY?

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VOLUNTEERISM IN AMERICA
WHO VOLUNTEERS AND WHY

by
Harry E. Cotugno

Prepared for
Who Volunteers and Why Panel
March 14, 1986

About the Author: Harry E. Cotugno is Vice President, The Gallup Organization, Inc., Social Science Research Group.

About The Survey

In October of 1985, The Gallup Organization on behalf of Independent Sector conducted a survey of Americans concerning their voluntary activities.

In addition to surveying the U.S adult population, the sample also included teenagers between the ages of 14-17 years old. A total of 1,638 personal in-home interviews were conducted during the period of October 12 through October 21, 1985.

The current survey repeated questions asked for Independent Sector by Gallup in 1981. Therefore we are able to note changes taking place during that period.

The focus of the study was to determine the proportion of Americans who perform various types of voluntary work, what these activities are, how much time they spend at this work, the types of organizations they choose to devote their time to, incidence of working for more than one organization, how they learned about the voluntary activity and their reasons for becoming involved.

In addition, respondents were asked to describe their various voluntary activities and the time spent on each, and their assessment of whether or not they are spending more time, less time or about the same time at this activity.

Finally the survey sought to examine the number of people who have been asked to volunteer their service but who choose to refuse volunteer work and the reasons behind this choice.

Definition of "Voluntary Activity"

Voluntary activity was defined as "working in some way to help others for no monetary pay," thus excluding the "members only" group - those passives who may belong to a service organization but who do not actually perform any volunteer activity.

By using this definition we are able to include both the traditional kinds of volunteer activities such as hospital candy-stripers as well as the not-so-traditional types of volunteerism such as helping an elderly neighbor.

The respondent's volunteer activity did not have to be for or done within an organizational environment. The 1981 survey used this same definition.

Incidence of Volunteer Activity

When volunteer activity is defined in this sense, we find that nearly half (48%) of Americans, age 14 and older, have done some type of volunteer work in the past 12 months. Similar findings were observed in the 1981 survey when 52% of those surveyed reported having performed some sort of volunteer work during the past year.

Those people most inclined to engage in volunteer work, be it organized or independently undertaken, include:

- Upper income households, i.e. with an annual income of $30,000 and over
- College-educated respondents
- People under age 50, but not including 18-24 year olds
- Employed respondents, especially those who work part-time
- Those from households with children under 18 at home
- Respondents from larger households
- Women
- Married respondents

Least likely to offer their services on a volunteer basis are those residing in metropolitan areas, respondents over 50 years of age, especially those 75 and over, unmarried persons, and respondents who have not attended college.

In addition, Catholics also appear less likely than Protestant respondents to report having performed some voluntary activity. Young adults between the ages of 18-24 show less predisposition toward volunteer work than do other age groups under 50 years old. Regionally, respondents residing in the East and South are less likely than those from the West and Midwest to say they have volunteered their services.

Demographic Changes 1981 - 1985

While the overall proportion of the population volunteering has not declined significantly since 1981, there are some demographic shifts worth noting.

- There has been a somewhat larger decrease in the proportion of women than men reporting participation in a volunteer activity.
- Participation among young adults, 18 to 24 years of age, and older Americans, 65 years of age or older, appears to be on the decline.

- Volunteer activity in middle income households ($20,000 to $39,999) has decreased.

- Regionally, the greatest decrease since 1981 may be observed in the East.

- Metropolitan areas, never very active in volunteer work, also show a decline compared with 1981 findings.

Type of Voluntary Activity Performed in The Past Twelve Months

Asked to name the area of voluntary activity in which they performed, respondents most frequently mentioned volunteering for a religious organization -- over one in five (23%) reported giving their services to a religious organization. Informal volunteer activities for no specific organization accounted for 19% of the responses.

At least one in ten of the respondents participated in volunteer work in the area of education (13%), fund raising (11%) or in the recreational area (10%). Nearly as many (9%) performed some volunteer service for a health-related activity.

Demographic analysis by area of activity reveals the following:

In addition to overall demographic differences in volunteer activities there are also some differences by area of activity.

- Women are most likely than men to be active in educational and religious organizations. Within other areas of volunteer work there is little difference in the proportions of men and women participating.

- Overall, those under 50 years of age are more likely than older adults to volunteer in the areas of education, recreation and general fund raising. Volunteering for civic, social or fraternal association activities tends to be somewhat more popular among those 25 to 49 years of age. It may also be noted that 18 to 24 year olds tend to be less active than young or older age groups in a number of areas.

- Those who are employed part-time are more likely than others to spend some of their time volunteering in educational or religious organizations or in informal voluntary activities.

- Overall, there is a direct relationship between household income and participation, i.e. those in upper income households are more likely than the less affluent to participate in every area measured. The one exception is participation in informal volunteer activities for which income does not appear to be a factor.

- As one might expect, those in households with children are more likely than others to participate in the areas of education, religion or recreation.

- Those in larger households, possibly because of the presence of children, also are more likely than those in one or two persons households to volunteer for educational, religious or recreational groups.

- Religious organizations and education are the recipients of the teenagers' contributions to voluntary activities -- over a third (34%) of the 14-17 year olds give their time to religious organization, while one in ten (21%) have volunteered in the area of education.

- While the 18-24 year old age group is less motivated toward volunteering, over ten percent (14%) have worked for a religious organization on a voluntary basis.

Number of Organizations Worked For

While the large majority of respondents regardless of the area of activity report working for a single organization, about a third (32%) who volunteer their service to community activities indicate a higher level of dedication -- working for more than one organization in this field. An equal proportion of the fund raisers appear to be another group who can't say "no" -- 34% of those who help raise funds report doing this for more than one organization.

Type of Organization Volunteers Worked For

With few exceptions, most volunteers report working for non-profit organizations. Fully one-half of the respondents who have done volunteer work in the health field indicate that these organizations are non-profit, non-religious. Nearly 9 in 10 (88%) of those who have done volunteer work for a religious organization report these to be non-profit, religious. Over one-half (54%) who report volunteering for a social service/welfare agency also report it to be non-profit, non-religious.

Frequency of Doing Volunteer Work For Various Volunteer Activities

Over one-third (36%) of the respondents who do volunteer work had done so during the past month prior to the survey. Volunteer activity for religious organizations topped the list with 16% saying they had given some of their time to a religious organization. Independent volunteer activities was the only other area of activity where at least one in ten (13%) respondents had volunteered their services within the past month.

When the respondents are asked about an even shorter time span -- voluntary activity within the past week -- the incidence of voluntary activity drops from 36% to 24%. Again, the most frequently mentioned organization for which they had volunteered their service was a religious organization -- ten percent saying they had devoted their time to a religious organization.

Voluntary Activity Area	Past Month Total %	Past Week Total %
Net any area	36	24
Health	4	2
Education	8	4
Religious Organizations	16	10
Social Services, Welfare	3	2
Civic, Social & Fraternal Associations	4	2
Community Action	2	1
Justice	*	*
Recreation	4	2
Arts and Culture	2	1
Work-related Organizations	2	1
Political Organizations	1	1
Informal - alone	13	8
General Fund Raisers	5	2
Other	*	*
None of the above	64	76
TOTAL	100	100
Number of Interviews	(1638)	(1638)

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* Less than one-half of one percent.

Another way to examine volunteer activity is to look at the incidence frequency within specific time frames. We then find that of those 48% who have performed volunteer work during the past year, 12% did so during the past year [but not within the past month or week], an additional 12% volunteered their services during the past month [but not within the past week], while 24% had done volunteer work within the seven-day time period before being interviewed.

	Summary Of Volunteer Activity		
	%		
All Who Volunteered In Past 12 Months	48		
Performed Activity Last 12 Months [but not past month or year]		12	
Performed Activity Within Past Month [but not past week]		12	48
Performed Activity Within Past Week		24	
Did Not Volunteer	52		
TOTAL	100		
Number of Interviews	(1638)		

Types of Work Performed By Volunteers

In order to obtain a measure of the ways in which volunteers contribute to the organizations they serve, all those who had volunteered within the past month were shown a list of 39 different types of work and asked to choose the types which best described their own volunteer activity. In addition, the amount of time spent within each type of work was also obtained.

The most common type of volunteer work, according to the reports of those who participated within the past month, is providing assistance to the elderly, handicapped or others in need of help (19%). About one in seven (15%) worked raising funds for their local organization (4% report they worked to raise funds for the national organization of the group for which they volunteered), and as many (15%) provided babysitting services. Other frequently cited activities include: assisting paid employees of the organization (12%), teaching Sunday school or the Bible (10%), and serving as a committee member (10%).

Those who have participated in some area of volunteer activity within the past month report contributing an average of about 18 hours of their time.

How Volunteers First Learned About Activity

Participation in an organization and being asked by someone to help are the most frequently named sources volunteers give as to how they first learned about the volunteer activities with which they are currently involved.

Volunteers who have family members or friends as beneficiaries of a voluntary activity or organization are likely to cite this as a way in which they first gained information about their voluntary activity.

Reason for First Becoming Involved in the Activity

Among both adult and teenage volunteers, the reason most frequently mentioned for becoming involved in volunteer work is the desire to do something useful to help others (52%). Other reasons given include having an interest in the activity or work (36%), and the belief that the volunteer work would be enjoyable (32%). Twenty-seven percent report that they first became involved in such volunteer activities as a result of religious concerns, while 26% report that they became involved bacause they had someone who was involved or would benefit from it.

When asked a follow-up question as to why they continue in these activities, very similar results were observed.

Time Spent On Volunteer Work Compared With Three Years Ago

Two in five volunteers (40%) report spending more hours on volunteer work today than they did three years ago. One in four (24%) report spending fewer hours, and 32% report spending the same number of hours on volunteer work today as they did three years ago. Compared with the 1981 findings, volunteers are less likely to report a decrease in the amount of time they devote to volunteer work now compared with the past.

Time Now Compared With Three Years Ago	1981 %	1985 %	Change In Percentage Points
More hours today	37	40	+3
Fewer hours today	30	24	-6
Same hours today	29	32	+3
Don't know	4	4	0
TOTAL	100	100	
Number of Interviews	(924)	(796)	

Charitable Contributions By Volunteers/Non-Volunteers

Not only do volunteers devote their time to volunteer activities, they also contribute money and property to various charitable activities. In fact, they are more likely than those who do not volunteer their services to have contributed to a cause.

	All Respondents %	Volunteers %	Non-Volunteers %
Contributed money or property	82	92	72
Have not contributed	18	8	28
TOTAL	100	100	100
Number of Interviews	(1638)	(796)	(842)

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C. S. MOTT UNEMPLOYMENT AND VOLUNTEERING PROJECT

A Final Report Presented to the Charles Stewart Mott Foundation

by
Guy C. McCombs, III

Prepared for
Who Volunteers and Why Panel
March 14, 1986

About the Author: Guy C. McCombs is Vice President for Network Development, VOLUNTEER - The National Center.

ABSTRACT

The project was predicated on two basic assumptions:

First, that volunteering by unemployed people can assist them to cope with their unemployment and to return to the paid workforce in three ways:

- by helping them to remain involved, productive people thus to maintain their self-esteem and confidence;
- by helping some of them to meet their short-term economic needs through self-help and mutual assistance activities;
- by helping them to become comfortable with the notion that there are alternative forms of paid work that they can undertake.

Second, that in most communities, the future of paid work lies in the service sector rather than in traditional manufacturing jobs and that volunteering is an appropriate way to introduce workers in the latter industries to networks in the former.

The results of the Akron work were quite positive. Of the first 53 participants in the program, 32 "graduated" by finding paid employment. Of the balance, only 4 "dropped out." The rest included 8 students who returned to school, 6 who relocated out of town and 3 who completed an alternative sentencing requirement. An additional 57 people are currently in the program, bringing the overall total of participants to 110.

Of this total, 86 are black and 24 white; 36 are men and 74 women; 65 were between ages 25 and 39 but 4 were over 60; 33 were high school graduates and 16 were college graduates; 10 had attended school only through the ninth grade or below. The vast majority had held some form of paid job within the past year.

As important as the statistical results were the assessments of the participants themselves and of other agencies in the community that serve unemployed people. In a meeting directly with project participants there were recorded comments such as these:

"Just because you are unemployed doesn't mean you don't care about community problems. This program helped me to show that to people."

"Through our volunteering we can show people that we can do something ... that we are doing something."

"Participating in this program made me feel good about myself and when you feel good about yourself, you can do anything."

"My volunteer day is the one day a week that I feel good about myself. I find out that I can do things, that I can put them into action."

"Unlike other programs, this one lets you take what you are interested in and to pursue it. They respected my right to decide what I wanted to do."

Over and over, we heard the same message, that the program helps people to remain productive and reinforces their self-esteem. Or, as one women put it: "My mind had turned lethargic. I knew that I had used to do things but I didn't believe I still could."

This attitude toward the project was reinforced by a half dozen agencies which are on the program's advisory council and which have some responsibility for job

placement and employment programs in Akron. They were uniformly enthusiastic about the program:

From the Private Industries Council: "The Biggest problem we have is maintaining the motivation of the people we are working with. This program contributes to that by keeping people productive."

From the Urban League: "This can turn people around. The work experience they get is invaluable and helps to demonstrate that they can bring dedication to their work."

From the YWCA: "It's much easier to place people who are active, whether in paid jobs or volunteer work, than it is to place those who are inactive and appear not to be productive. This program helps us do that."

Perhaps most reflective of their support is that they are actively engaged with the Volunteer Center in seeking funds from the United Way and other sources to keep the program alive next year.

Can we prove that volunteering was the critical element that helped the first 32 get jobs. Of course not. There are simply too many influences in a person's life and, in the case of the unemployed, too many resources that they can draw on in their job search, to be able to isolate any single thing and say that it was the determinant. But the assessments by the professionals who do job placement day after day and the by the people who are hurting suggest that it was a significant and unique resource for them to draw on and one that deserves to be maintained.

There are also residual benefits from the project. For example, we demonstrated that minorities will volunteer, particularly if recruitment efforts are specially targeted and designed and if there are a variety of job placements available to them. As the director of the West Akron Community Center put it, "The concept of volunteering is initially foreign because of a lack of previous exposure to it. But people learn very quickly why it is important to them and how to do it."

Also, we opened a new volunteer resource to the community. As we learned in our original research and conference, people who become unemployed often are stigmatized within those organizations and agencies in which they were volunteering while employed, suddenly becoming "clients" who "aren't supposed to volunteer."

We also demonstrated that the community, including those doing related work, will join in support of a new initiative such as this. Some 25 key community people joined the project's advisory council including, in addition to those named above, the AFL-CIO and the local minsterial council. The members took an active role in the project. As just one example, the YWCA offered up to 50 hours free child care to anybody who required it in order to be able to participate.

Finally, we demonstrated that a Volunteer Center is the appropriate agency to undertake such a project and that it can relate effectively to all portions of the community. The Volunteer Center not only has the widest reach in the community in terms of agency contact, working with over 300 agencies throughout their county, but also has established referral and placement relationships that can be put to work for all types of individuals who are unemployed.

Locally, the project will continue at least through January 31, 1986 through a grant from the Ritchie Memorial Foundation. The board and staff of the Volunteer Center are actively seeking funding from both foundations and from United Way that will carry the program through 1986.

I. INTRODUCTION

VOLUNTEER - The National Center with the support of The Charles Steward Mott Foundation began the second phase of the Volunteering and Unemployment Project. This subsequent follow-on effort represent the practicle application of critical research information gained as a result of the first Volunteering and Unemployment project. Phase I was designed to examined whether or not it is appropriate and possible to involve unemployed people as volunteers. We examined the research and policy studies done in both the United States and England. Most important we sought to involve unemployed people in consideration of the issue. The output was a clear consesus emerging on these points:

o While it is appropriate to involve unemployed people as volunteers, it must be done with a clear understanding of their needs and with the expectation that in many cases they must think first of the real benefits that will accrue to them through their volunteering.

o Volunteering is one vehicle through which unemployed people can remain productive, participating members of the community, whether their volunteering is directly related to their unemployment (i.e., advocacy work) or is something that they might undertake when employed (i.e., scouting)

o Volunteering in self-help and mutual aid programs is a way that unemployed people can meet some of their immediate economic needs.

o If planned and managed correctly by both the person volunteering and the agency, some volunteer activities can serve as a partial resource to begin retraining for new jobs in new settings.

Responding to the results of the original the second phase set out to accomplish three things:

o to demonstrate in a community with a high, continuing unemployment rate how a Volunteer Center can play a positive leadership role in creating and sustaining volunteer activities by unemployed people and their families;

o to increase awareness and programming in the volunteer community to reach unemployed people as volunteers; and,

o to increase the interactions and collaboration between Volunteer Centers and other "traditional" volunteer-involving and supporting organizations and the growing number of local committees and organizations of unemployed people.

II. PROJECT REVIEW

In order to meet the above goals we further delineated the scope of work into seven objectives. This report will be formated to provide discussion by the objectives and then close with summative discussion on the level of success in attaining the three goals of the project.

1. To work through State Associations of Volunteer Centers to present results of "Flint Conference"

We worked with and through state associations of Volunteer Centers and their equivalents, using their regular meetings as the forum, to present the results of the Flint conference and to introduce them to the idea of reaching out to the unemployed. Associations or their equivalents exist in Alabama, California, Connecticut, Florida, Michigan, Minnesota, New York, Ohio, Texas and Virginia and reach roughly 50% of the Volunteer Centers in the country. We also utilized our annual national conference for workshops and presentations on this subject, including a special "how-to" workshop for Volunteer Centers only at the 1985 national conference.

The state conferences directly receiving input from VOLUNTEER staff were:

Our national conference provided an ideal forum for "showing off" the project - "Power, Empowerment and the Volunteer Community" was the theme. Three workshops on different aspects of the project were provided to conferees:

- o Grassroots Volunteer Organizing
- o Unemployed Minority Families and Youth in Volunteering
- o Unemployed People as Volunteers

The sessions were lead by the pilot site Project Manager and Assistant Project Manager. With a possible high score of 8.0 on the evaluation these three workshops averaged above 7.4.

Additionally, VOLUNTEER staff made a presentation on the project at the National Association of Volunteer Administrators conference in October of 1985.

Additionally, to enhance the information sharing process every issue of Volunteering, a national publication (______ publications a year), from the start of the project until its completion carried a major article on the status of the project.

2. To develop and sponsor two training conferences for Volunteer Centers in Midwest and Northeast

We developed and sponsored two training conferences for Volunteer Centers in high unemployment areas of the midwest and northeast to provide them with more intensive training on how to best reach out to and involve unemployed people as volunteers. These conferences were timed to come after the midway point of the project year so that we could utilize preliminary results from the local demonstration project as a practical example. There are some 150 Volunteer Centers in these two areas of the country. We anticipated that roughly 20-25 would participate, given that they would have to cover travel expenses, lodging and meals for themselves. These conference participants will form the core group around which program development efforts will take place.

To begin with we did find that the turn out at our two conferences was greater than anticipated. The conferences were held in White Plains, New York on September 18, 1985 and Columbus, Ohio on October 15, 1985. The attendance for the two sessions was 40.

We were surprised at the interest shown via already existing efforts to involve the unemployed as volunteers. Our training conferences were received as another more advance approach to working on an existing problem. Participants came to not only find out how to begin a program but also to enhance their on-going efforts.

We effectively defined how we had worked with the Akron Site to structure project implementation and based workshop content format on discussion and participation on the key elements. The elements are:

1. Economic Realities - a review of the history of labor changes in United States
2. Volunteer Center Project Planning - discussion on integrating the project into the structure of the Volunteer Center (Rationale/ Benefits, options, project parameters)
3. Community Assessment - Collection of data on extent of unemployment in Community and present resources for the unemployed (e.g. The Unemployment Council)
4. Organizing the Advisory Committee - Development and utilization of a working advisory group to support the project.
5. Promotion and Public Relations - Development of materials and activities for public awareness.
6. Program Operation - Preparation of agencies, staff, procedures/ policies and evaluation mechanisms.
7. Working with Self-Help Groups - The art of effectively working with local self-help groups in maximizing the support role to the unemployed.

3. To work with the established core group interested Volunteer Centers to assist in developing local projects focusing on unemployed

We established a working relationship with core group of interested Volunteer Centers to assist them in developing local projects focused on involving the unemployed. Our assistance included consultation in program design and planning and in fund-raising for the projects, emphasizing local corporations and foundations as sources. We believe that our extensive work with corporate volunteer programs will enables us to open doors for local centers that otherwise might be closed to them in seeking funds. Our goal is to use this approach to create a network of local demonstration projects that can relate to one another through us. We believe this is also the soundest way to develop a funding base for continuing this work in future years.

Through our research efforts we were able to find Volunteer Centers that were working in the area of unemployment and volunteering:

Owensboro, KY
Cape Cod, MA
Milwaukee, WI
Louisville, KY
South Bend, IN
Cleveland, OH

Bethlehem, PA
Canton, OH
Erie, PA

We were delighted to find that many Volunteer Center do something in support of the unemployed, 63 were found to be actively involved in recruitment of the unemployed as Volunteers. This particular effort will continue to grow overtime. We presently have handled over 100 various types of request for information and/or technical assistance in issues/problems related to volunteering and unemployment. Information request have come from 26 states.

4. **To establish a local site (Volunteer Center) for development of a demonstration project**

The local effort focused both on unemployed people and their families, in recognition of the impact of continuing unemployment by adults on the life of the total family. A particular emphasis was given to families that have youths that are about to enter the job market. Based on unemployment statistics in most communities, this focus resulted in a concentration of effort with minorities.

The result of this effort was that volunteering became a part of the essential way in which both individuals and their families confront unemployment and build toward a more stable future. While there was no guarantee that jobs would result directly from this effort, there was a prediction that there would be a measurable gain in self-awareness, esteem and job skill preparation.

VOLUNTEER as proposed selected a Volunteer Center from a city with a high continuing unemployment rate in the industrailized midwest to serve as the lead agency for the local demonstration project. We hired an unemployed minority worker -- who had lost a job due to problems in the economy, as opposed to someone who was seeking to re-enter the job market -- to serve as the local project manager. Here we varied from the original proposal ... "We will hire an unemployed worker... defined as a blue collar worker." The persons assuming the role of project manager came from the professional ranks. However, their unemployment was still attributed to the efforts of layoffs and factory changes. We were asking an awful lot of this person, thus we elected to find someone who had the previous experience required to successfully conduct project activities. The project managers (Dr. Darryl Tukufu found full time employment at Northeastern University at the end of June 1985 as was replaced by Mr. William Blake in July) more than successfully carried the defined job responsibilities:

--recruit unemployed people as volunteers, move them through the Volunteer Center's referral process and insure that they have the resources required to fulfill the volunteer job, such as transportation, meals, etc.

--act as an organizer for self-help and mutual assistance efforts by unemployed people:

--serve as a resource for community service agencies and organizations about the needs and interests of unemployed people who wish to volunteer;

--serve as a liaison between the Volunteer Center and any committees or organizations of unemployed people.

The following project site report covers the history/circumstances for the need for the project in Akron, Ohio. The subsection clearly points out and describes the multi facets of the effort. The project report is also a successful reflection of the aforementioned responsibilities of the project management and Volunteer Center commitment:

Introduction and History

VOLUNTEER: The National Center, held a conference in Flint, Michigan, in November, 1983, in order to look at the reality of the problems of the unemployed in this country. Although the official unemployment figures continue to drop, one of the concerns addressed at this conference was the fact that the unofficial figures are much higher. These unofficial figures include, of course, the people who have stopped receiving unemployment and welfare benefits, union support, etc. Due to the changes in technology and emphasis on services, many of these jobs will simply never return. This is especially true in the "Rust Belt" of the Midwest, where aging factories are being abandoned at a very rapid pace. Minorities are being affected by this decline in jobs at a much higher rate than the rest of the population.

The individuals caught up in these changes often do not fully realize the factories and jobs will not return, so see themselves as being responsible for their own job loss, and lack of success in obtaining another one like it.

One of the suggested action steps to develop from this conference was to involve unemployed people as volunteers in order to give them a greater sense of self-worth. It was determined that a specific program could be established at a volunteer center to enable this to take place. It was also suggested that part of this program could include training on job-seeking skills, as well as educating the participants to the realities of the changing job picture.

In January of 1985, The Volunteer Center of Akron, Ohio, received a survey from VOLUNTEER requesting information about unemployment in local areas, coupled with a Request for Proposals for that project on unemployment and volunteering. The project was to be funded by the Charles Stewart Mott Foundation, with emphasis on aiding the Midwest. The RFP wanted a response right away, so that the program could be implemented as quickly as possible. One of the intentions of the project was to focus upon services for minorities.

The Akron area has been hit very hard with unemployment, not only before and during, but also after the recent recession. Although the official local unemployment figures hover around 10- 11% (16% for blacks), these do not reflect the continued plant closings, business relocations, and further eroding of the local economy. The "recovery" has simply not arrived in Akron. Due to this reality, our experience with minorities and non-traditional volunteeers, and the nature of volunteerism in our community, it was decided to pursue the project.

After quickly pulling together the necessary data, conferring with community leaders, and brainstorming with Board and Staff, Akron put together a response and proposal. This proposal was submitted to VOLUNTEER on January 7, 1985.

Additional supportive information, clarification, and elaboration, were requested and supplied, and on February 21, 1985, Akron was notified that its proposal was accepted, that Akron was chosen as the National Demonstration Site for this Volunteering and Unemployment Project. Coupled with the letter to Akron announcing the selection of our Center as the site, VOLUNTEER released information about the project, and the selection, to the media.

The response was immediate. Several local and area radio, TV and newspaper reporters contacted the center about the project, and especially of the goals of the project. From their reports began receiving telephone calls, walk-ins, etc., of individuals who were unemployed and wanted to become involved in the project. Of note is the fact that the program was not even in place yet.

Some preliminary concerns by a few Board members were that unemployed people would not be willing to give their time to volunteering. They would rather be looking for a job or using their time in a more "productive" endeavor. As indicated above, the response the center received quickly dispelled that notion.

Project Structure

The actual proposal is not included herein, but will be available upon request. However, the important provisions of the program are included. There are many unique factors and important considerations which made the Akron proposal the one selected by VOLUNTEER and made the project a success:

Advisory Committee

An area of significant consideration is our relationship with the community. Although the Volunteer Center has been in the community in one form or another for many years, it has only been in the last five years that it has fully enjoyed the respect of the community, as well as the respect of the diverse oranizations it serves. This took a purposeful effort to achieve, but resulted in our being able to establish trust in many quarters, including the minority community. Without that trust, a program with this much risk and new exploration would not have received the necessary support from the onset. Of note is a quite successful program the center had in 1983 and 1984 which was a minority youth volunteer program. It was funded for only a two-year period, but it, too, dispelled concern about a population without a track record of volunteering, because minority youth readily became involved in this program.

The direct offshoot of this support is the first major contribution to the success of the project - the Advisory Committee.

The Advisory Committee is unique in that it is truly a working committee. Members are asked to not just "give advice" or tacit support, but to work within the program to aid with trainings, public relations, research, etc. In addition, the treasurer of our Board of Trustees is also a member of the Advisory Committee, and helps to serve as a liaison between the two.

The rest of the commitee is composed of as broad a spectrum of community representation as possible, including minorities, community leaders, and the community at large. Some of the members include a Deputy Mayor for the City of Akron, Office Manager for our local Congressman (Hon. John Seiberling), Coordinator of the local Private Industry Council, Executive Director of the Urban League, and President of the Welfare Rights Organization.

As can be seen, these are people who can help to quickly get things done, as well as open doors for program participants to help them obtain the services they need.

Program Components

A number of major components of the project help make it unique, and to better serve the target population and the community at large.

The Demonstration Project was a joint venture between VOLUNTEER: The National Center, and The Volunteer Center. The idea was to pool all the necessary resources to mobilize the project as quickly as possible.

Project Director

Dr. Guy McCombs, Vice-President of Network Development for VOLUNTEER, was the Project Director during this demonstration period. His responsibility was to help provide national awareness of the project, and to monitor the results within the context and intended framework of the Flint Conference.

Project Manager

Although originally planned as one full-time position, it was determined that there were more advantages to splitting the position of Project Manager into two part-time roles of manager and assistant. The manager's position would be responsible for the project administration, budget management, community liaison, etc., while the assistant would handle more programmatic considerations. Each would work 25-30 hours per week. This proved to be an even better structure than originally thought, due to its flexibility. More on this later.

The intent of the project was to hire unemployed, or underemployed, persons for these positions. This was accomplished in both cases. Dr. Darryl S. Tukufu, who was teaching part-time at Kent State University, was chosen as the Project Manager. He had extensive skills in community organization, grassroots involvement, and a sensitivity of the community's needs.

Dr. Tukufu also was an independent candidate for mayor for the City of Akron a few years ago. He was able to begin development almost immediately, as well as to prepare for an assistant.

Assistant Manager

William Blake, who was also a part-time university instructor, but with the University of Akron, was chosen as the Assistant Manager. Mr. Blake is working on a Doctorate in Political Science, and has had an extensive history of working directly with people, notably as Dean of Students at a college in Tennessee.

Measurable Outcome

The proposal agreement stated the there would be an impact on 50 families or individuals by the program with ripple effects generated to other family members. One hundred twenty-five people total have gone through the program over nine months of the demonstration (this number is the present number of participants), which indicates to us the need for these types of services. The overall intent of this project is not to produce employment, although that is a hoped-for indirect result. However, the project is designed to utilize existing community resources, as well as serve as a link among those services so as to better serve the unemployed. This goal is to make the participants more aware of what is available to them.

The measurable outcome of this project is to increase the self-esteem of the participant through volunteerism which would provide them a sense of responsibility and self-fulfillment. In addition, basic job-seeking skills are provided to the participants through workshops. All of these factors go together to produce a better job candidate, hopefully giving that person the edge in the competitive job-seeking process.

The field of measurement for the intended outcome is change in self-esteem. The instrument for measuring these changes is the Coopersmith Self-Esteem Inventory (more of these issues follows in forthcoming segments).

Enrollment Procedure and Benefits

The qualifications for enrollment are simple - to be unemployed, and to be willing to volunteer. Individuals have come into the program through referral from agencies with the community, through self-referral because of publicity about the program, and internal referral from other programs within The Center.

The enrollment procedure is usually very simple. The same procedures for our standard placement services are followed. The interested person is asked to come into The Center to complete an application, given an interview and information about the Volunteer Center and volunteeering in general, and a determination is made of the person's interests, skills, and experience. Based upon this determination, a placement is made in a local agency for the person to provide volunteer services for that organization. Up to here, the procedure is very similar to the Recruitment and Referral program already in existence at The Center. From this point, however, the services provided to the participants contrasts this program with the other programs at The Center.

The participant is provided with procedures and forms to receive reimbursement for automobile mileage at the rate of 20 cents per mile, for going to and from their placement site. If they have no car, bus passes are provided. If the placement site requires a uniform the program will provide the money to pay for that uniform. If the participant has young children, arrangements have been made with the Vocational Services program of the local YWCA to provide up to 50 hours of free child care for the person performing the volunteer work. Beyond 50 hours a greatly reduced sliding fee scale is offered.

In addition, arrangements were made with the University of Akron, through the Department of Psychology, to provide free group counseling for any unemployed individual who would want to participate.

The workshop series on job seeking skills and self-exploration, described elsewhere in this report, is explained to the participant. Although attendance is not mandatory, it is strongly urged.

One point frequently made to the participant is that this is not a "job-getting" program, nor a job training program. It is a program for volunteer placement, so as to provide additional work experience, career exploration, and job-seeking skills. The end result, it is stressed, is a person who has shown initiative, has additional work experience, displays a willingness to report regularly for a position, demonstrated ability to handle responsibility, a person who consequently feels better about himself or herself, and therefore to produce a better job candidate. If a job results from this, the participant has truly done it on his or her own, again resulting in even more of an increase of self-esteem. However, in quite a few cases, this combination has resulted in jobs for participants.

Workshops

An important components in the entire concept is the series of these workshops for the participants. The workshops are held once every other week, and the series is repeated every few weeks.

The emphasis of the workshops follows:

Workshop I - Volunteering

Orientation to the Program -
Pre-test with Coopersmith Inventory
What Makes a Good Volunteer
Benefits of Volunteering
Dialogue with a Director of Volunteers of a Community Agency

Workshop II - Job Searching Skills

Resume writing
Completing applications
The volunteer interview -
  Questions you may be asked
  Questions you should ask

Workshop III - Motivation

Knowing yourself and others (using the Personal Profile System to analyze work interactions and behavorial tendencies.)

The content remains flexible, however, to better suit the needs of the participants. In as many instances as possible, people from the agencies, from the Akron volunteer community, and/or from the Advisory Committee deliver presentations at the workshops. This helps give the participants a closer sense of connection to the concept of volunteerism. In addition, both the Project Manager and the Assistant Manager were trained in administering and scoring the Personal Profile System, which is administered in Workshop III. This system is marketed by Performance Systems International, and helps people identify their behavioral style, and pinpoints what they might do to become more successful people.

Self-Help

Another contribution to an increase in self-esteem is to have a sense of control of one's own life. An individual who is unemployed very often feels tossed around by outside forces, that no one really understands his or her predicament, or even cares.

A component of the project helps to generate an interaction among the unemployed, to form a network to share feelings, thoughts, and to promote action. This helps the individual to not feel so isolated, so alone. This in turn results in empowering the individual, restoring a sense of control over the external and internal forces, and enhancing the person's sense of self-worth. This is the self-help component which has proven very effective.

The method by which this component has evolved has been for the Project Manager to serve as a catalyst to bring together program participants who are interested in becoming involved insuch a prospect, and providing the resources for them to develop the self-help aspect on their own. This was accomplished in June when a start-up workshop was held bringing as presenters - Dr. Guy McCombs, V.U.P. Project Director from VOLUNTEER, Jack Baublitz, National Coordinator of the National Unemployed Network, and staff from the Erie County (Pennsylvania) Unemployed Council. These people provided the inspiration and incentive, and our Project Manager provided guidance, on a limited basis, and served as a liaison between the group and the project. Again, the idea is for it to be self-help, for the Council to use their own internal resources, as well as knowing the effective external resources to turn to, in order to help themselves.

Relationship with Other Programs in the Agency

Another important consideration in the foundation of the project, leading to its success, is the relationship of the Volunteering and Unemployment Project to some of the other programs within The Volunteer Center. Examples follow:

Recruitment and Referral

This is the foundation of The Volunteer Center - the core of most of its programs. Serving as a clearinghouse for volunteer opportunities in Summit County, the Recruitment and Referral Program works with nearly 250 non-profit agencies and organizations and refers potential volunteers to those agencies. This program has had a very successful history, and has established a positive relationship with many agencies in the community.

This relationship has resulted in very strong support from the agencies for the Volunteering and Unemployment Project, and the Recruitment and Referral program is the vehicle by which the participants are placed.

Court Referral Program

This program places individuals convicted of minor offenses into community service positions in lieu of incarceration. Several clients from this program who are unemployed have also gone through the VUP and received the training and benefits offered.

Very often, those individual have gotten into trouble initially because of being unemployed or not knowing how to survive in the public support system. The VUP helps to provide empowerment for them as well.

Other Programs

Of course there is also an interface with the other programs offered at The Volunteer Center, such as workshops for Directors of Volunteers, Volunteer Program Certification, etc., in order to have a smoothly run, cohesive organization, with the mission of further professionalizing the field of volunteerism.

Budget

The budget that was developed was pretty much on target, but mid-course corrections had to be made due to the larger than anticipated number of participants. This is explained further in the quarterly breakdown.

Quarterly Reports

Since this was only an eight month demonstration project, (officially March 1 to October 31, 1985) the quarters consisted of two months each. It may be helpful to present a synopsis of the quarterly reports, to show the evolution of the project and to give an indication of the impact upon the community.

First Quarter

This quarter, of course, was spent building the appropriate support in the community for the project, as well as communicating the purpose of the project. This was done through media publicity including a press conference, a meeting with key community leaders, and the formation of the Advisory Committee composed of some of those key leaders. These steps resulted in additional services such as the 50 hours of free child care, additional job perparation workshops for participants, and job training programs through the Private Industry Council.

Dr. Darryl Tukufu was hired as Project Manager, William Blake was hired a few weeks later as his assistant, and Beverly Rothal was hired as secretary. All three positions were established as part-time.

The forms and procedures were developed this quarter, and the content of the workshops was developed.

Barberton, a factory city adjacent to Akron, has recently been devastated by several plant closings. A Labor-Community Coalition was established to provide a free health clinic, food co-op, tenant union, etc. A relationship was established between the Coalition and the Volunteering and Unemployment Project, with cooperation to result in enhanced self-help for the unemployed. Many speaking appearances were conducted by the Staff at various community groups, churches, and organizations. In addition, notices were sent to black churches regarding the project for it to be announced at their services.

As of April 26, 26 individuals were enrolled in the project. Of this total, 27 (75%) were black, 58% of the total were black females. Referral information is as follows:

Number of Referrals	39
Number of Volunteer Referrals	31
Number of Accepted Referrals	12
Number of Rejected Referrals (Initiated by participant)	6
Number of Pending Referrals	19

It should be noted that the discrepancies in the numbers occur because some people received more than one referral.

Second Quarter

The relationship with the Advisory Committee members paid off substantially during this quarter. Referrals from those representatives increased notably, all but three or four of the committee members attended at least one training session, and closer contact was established with represented organizations to increase the ease of access to services for the participants.

Public relations and news media coverage continued at a significant rate. The Project Manager was interviewed on numerous public affairs programs, and requests for presentations to agencies, groups, and churches regarding the project expanded.

Two series of workshops had been completed by the end of this quarter, and about one-third to one-half of the participants attended. Since the trainings are not mandatory, other ways of increasing this ratio are being considered.

The Coopersmith Self-Esteem Inventory was introduced to function as a pre- and post-test to measure evaluative attitudes towards the self in social, academic, family, and personal areas of experience. The intent is for it to be administered during the initial enrollment, then 30 days into the volunteer experience. Results of this inventory showed that most participants scored good to excellent, but that females scored lower than males, with 5 out of 7 white females having poor inventories.

The second instrument is the Personal Profile System marketed by Performance Systems International. This tool helps people identify their behavioral style and suggests what they might do to become more effective and successful. This system is used in the workshop on motivation, behavior, and attitudes.

A basic concept behind the project is to educate the unemployed to the economic realities of the rest of this century, that the entire economic and job bases are changing; that we all must adapt to survive. To that end, a workshop was held in June with Dr. McCombs, Jack Baublitz, National Coordiantor of the National Unemployed Network, and staff from the Erie Coiunty Unemployed Council. The message of self-help, organizing for results, and empowerment were presented quite clearly. The participants received the information and reacted favorably. The concept of other unemployed individuals establishing a power base seemed quite appealing.

By this time, 75 individuals were enrolled in the project. Of this total, 58 (77%) were black. Black females composed 57% of all enrollees, which was consistent with the First Quarter. It appears that this group may be the greatest beneficiary of the project.

It should be noted in the figures above that halfway through the Demonstration Period the Center had already enrolled 25 more people than was planned for the entire project.

Third Quarter

The third quarter was one of tremendous change and activity for the Volunteering and Unemployment Project, as well as for the Volunteer Center.

First, the Project Manager and Assistant Manager went to Los Angeles for the National Conference sponsored by VOLUNTEER. They each presented several workshops on the project itself, on working with minority and grassroots organizations, and on working with the non-traditional volunteer.

Secondly, the Project Manager left to take a teaching position in Boston. This had been arranged well before his hiring, and he had made it known at the time of the interview, so the agency was prepared for it. However, the transition was rather bumpy at times.

When the Assistant Manager was hired, the interviews were conducted with an eye toward having this person move up into the Manager position when Dr. Tukufu left. Mr. Blake met the criteria, due to his previous experience. He moved into the Manager's position upon returning from the National Conference in Los Angeles.

Thirdly, the Executive Director of The Volunteer Center resigned the end of July and an Interim Director was appointed to cover her responsibilities. This had impact upon the direction of the project, as well as searching for funding for next year.

In August, a group of eight international visitors and two escorts from the State Department came to our Center to study our programs, including the Volunteering and Unemployment Project. Touring selected sites in this country studying volunteerism, the represented such countries as Great Britain, Israel, Jordan, South Africa, Nepal, and Mauritius. The concept was to study programs in this country which could be taken back and adapted to their local situations.

Despite all of these changes, the project continued, and continued well in providing needed services to the participants.

As of August 31, one hundred and seventeen unemployeed individuals had gone through the application process. Publicity for the Project continued with the local major newspaper and two area black newspapers all writing at least two articles about the project during the third quarter.

During this quarter it was decided to change the order of the workshops in the series.

The order of the workshop sessions was changed from:

1) Orientation
2) Job Search Skills
3) Personal Profile

To:

1) Orientation
2) Personal Profile
3) Job Search Skills

This was done so that the awareness developed in Session 2 could be utilized to the best advantage in Session 3. A total of 10 sessions have been conducted to this point.

A grant proposal for a three-month continuation of the project was submitted to a local foundation. The Akron Volunteer Center received word on August 26 that $6,500 had been approved by the foundation in order to continue the project through January, 1986.

A statistical summary was developed in September in order to extrapolate preliminary information from the data collected. This was to see what could be learned so far from our experiences, to see how the participants has been affected thus far.

Fourth Quarter

A few highlights of the quarter again help to underscore the flexibility of the project.

Due to the number of participants being far above the number anticipated, the costs for supportive services was over budget. Therefore an adjustment was made to help cover this line item. Secondly, a temporary freeze was placed on new enrollments as of September 24.

On October 16, Project Manager William Blake traveled to Columbus. Ohio, to address a meeting of Volunteer Center Directors explaining the project. The interest generated was very high, and many additional follow-up contacts were made because of this.

In September, a letter written by one of the project participants was chosen as the "kick-off" letter to the local paper for the United Way campaign, thanking the community for its support.

Conculsion of Site Report

The Volunteer Center of Akron, Ohio, was awarded a $25,000 grant from the Charles Stewart Mott Foundation to act as the National Demonstration Site for a Volunteering and Unemployment Project. This was awarded to Akron by VOLUNTEER: The National Center, as an outgrowth of a conference on problems of the unemployed held in Flint, Michigan, in 1983.

Designed as an eight month pilot project, the intent was to have a positive impact on 50 unemployed individuals/families. The cause for positive impact was to be volunteering on a regular basis with an increase in self-esteem, thus becoming a better job candidate, (so that the participant could more effectively obtain a job on his or her own) being the effect.

The route by which this was to be accomplished was through an appropriate placement at a volunteer job site, a series of workshop/trainings, with measurement and evaluation through the Coopersmith Self-esteem Inventory as a pre/post test.

The workshops are scheduled as a series of three, covering an orientation to volunteerism, personal awareness, and job seeking skills.

In order to help make it easier for the unemployed to volunteer, transportation, uniform, and child care subsidies are provided. An Advisory Committee composed of community people, as well as representatives of community organizations which impact the unemployed, helps set the direction for the project.

Frequent local and national publicity helped make the project a success, with approximately 125, to date, individuals going through the program. It should be stated that thousands in the community have been made aware with hundreds being indirectly effected.

The conclusion is that the Volunteering and Unemployment Project is an important and valuable program which can have positive impact on unemployed individuals and the community.

Things To Do

Some important considerations in the structure of this program have come to the surface, some contributing directly to the success of the project, some not, but all of them making it worthwhile for the participants. There is no order of importance for these items.

o One of the most productive components of the project has been the Advisory Committee. This has generated allegiance to the concepts and goals of the program all over town, as well as generating referrals of unemployed individuals. It has also expanded the services which could be offered. The inclusion of a member of The Center's Board of Trustees has also proven valuable in establishing clearer channels of communication between the two entities.

o Another definite "must" is the wide range of publicity. By reaching into as many quarters of the community as possible, as frequently as possible, the potential participants as well as the community in general come to recognize the uniqueness and the significance of the program.

o The program proved so successful that it was too successful. We therefore overspent some line items and had to readjust. To avoid this we should have put a cap on how much we could reimburse, such as for two or three days of volunteering per week. As can be seen by the statistics, some participants volunteered four, five, even six days per week. This quickly exhausted the budget line item for travel reimbursement.

5. **To identify the state regulations concerning unemployment benefits that interfere with volunteer involvement by the unemployed**

Based on one of the primary recommendations from the Flint conference, we were to identify state regulations concerning unemployment benefits that interfere with volunteer involvement by the unemployed and bring those regulations to the attention of Volunteer Centers and state government officials.

As previously mentioned, the motivation for developing phase two of the project was the Volunteering and Unemployment Conference held in Flint, Michigan in 1983. Among the six major issues that arose from the conference was the belief volunteering should in no way interfere with an individual receiving unemployment benefits. Several attendees presented cases where there was evidence of the revoking of benefits by a state unemployment compensation office for volunteering.

When VOLUNTEER set out to build its demonstration project, we decided that it was important to investigate further the state unemployment benefit regulations. Evidence gathered from various states by VOLUNTEER staff pointed to at least four states that had considered volunteering grounds for revoking of benefits. We decided to try to discover how the regulations differed in states where there was an indication that the unemployed had been penalized for volunteering. The rules for disqualification in these states are as follows:

Missouri - Disqualification of benefits

1. Voluntarily leaving without good cause;
2. Discharge or suspension for misconduct connected with the work;
3. Unemployment due to a labor dispute;
4. Refusal of suitable work without good cause;
5. Receipt of certain other types of benefits; and
6. Misrepresentation in order to receive benefits.

Ohio - Disqualification of benefits

1. Refusal of suitable work without good cause or refusal to investigate a referral to such work;
2. Quitting without just cause or discharge for just cause in connection with the work;
3. Disciplinary layoff for misconduct connected with the work;
4. Leaving for maritial reason;
5. Unemployment because of a labor dispute other than a lockout;
6. Knowingly falsifying a claim for benefits;
7. Commitment to a penal institution;
8. Unemployment because of dishonest in connection with the most recent job or any base pension work.

South Carolina - Disqualification of benefits

1. Voluntarily leaving without good cause;
2. Discharge for misconduct;
3. Refusal of suitable work without good cause;
4. Unemployment because of a labor dispute;
5. Receipt of certain other payments;
6. Voluntary retirement;
7. Misrepresentation.

Texas - Disqualification of benefits

1. Discharge for misconduct connected with the work;
2. Voluntarily leaving without good cause;
3. Refusal of suitable work without good cause;
4. Unemployment because of labor dispute;
5. Making false statements or representations and receipt of certain kinds of incoming while unemployed;
6. School employees, both professional and nonprofessional, during a period between two successive academic years or terms if they have a contract of reasonable assurance of performing services for an educational institution in the second year of such year of terms.

The difficulty here in review of the state regulations has been their (state regulations) broad interpretation of volunteering as it relates to the ability of the recipient to search for employment. Loss of benefits is dependent on the character of both the current local administration and the person reviewing the case. There is no direct legislation to cover these cases: decisions are arbitrary.

What is the point to all this?

No regulation categorically states the volunteering will cause loss of benefits. However, individual interpretations of the regulations has caused the unemployed who volunteer to lose their benefits. Therefore, we advocate being sure in developing a project, that agencies check with the Unemployment Bureau and protect their participants from unneccessary or unintentional problems. In most cases volunteering poses no threat to unintentional problems. In most cases volunteering poses no threat to unemployment benefits. Careful planning can allow a project such as ours to work successfully.

Additionally, we determined that a strategy was needed to combat the problem if it were to arise at the local level. We found that there were Volunteer Centers that had overcome the problem through a set of skillful procedures via making the contacts with the proper officials. The documentation used in their efforts has been shared with other Volunteer Centers expressing an interest in learning how to overcome this impediment.

6. To develop and organize an unemployment organization consortium information network

Through the liaison we established with unemployed committees and organizations, we will collected information on an ongoing basis on volunteer efforts by unemployed people. That information has been shared on a regular basis with Volunteer Centers and with our larger network of Associates as well as being made available to the media and to the growing number of free-lance writers who use VOLUNTEEER as a source for stories on volunteering.

Within these efforts was a major attempt to link VOLUNTEER with the National Unemployment Network local council. To accomplish this end we offered Associate Memberships free of charge to all of the identifiable councils. The Associate membership offering is geared to leadership of organizations that specialize in employing within and placing volunteers. Additionally, it offers a forum for them to inturn relate to the rest of our community what the state-of-the-art is in their specialized areas. A mutual sharing of information has already begun. There has also been a very close working relationship developed between VOLUNTEER and the Co-Directors of the National Unemployment Network. This has provided for a high level of information sharing and the ultimatly support in development of the local council in the Akron area (Summit County Unemployed). The councils that are Associate members are:

Asbury-Neptune Unempl. Comm. - Neptune, NJ
Butler County Coalition for the Unemployed - Butler, PA
Butte Community Union - Butte, MT
Calumet Unemployed Workers - Gary, IN
Center for the Jobless - Lorain, OH
Cleveland Council of Unemployed Workers - Cleveland, OH
Committee to Organize the Unemployed - Portland, ME
Corry Area Unemployed Council - Corry, PA
Erie County Unemployed - Erie, PA
Friends of the Unemployed/First UM Church - South Bend, IN
Greater Birmingham Unemployment Comm. - Birmingham, AL
Greater Elmira Unemployment Council - Elmira, NY
Greater Jannette Unempl. Comm. - Jannette, PA
Danville Area Comm. Serv. Council - Champaign, IL
Local 6787 Unemployed Committee - Chesterton, IN
Lycoming County Unemployed Council - Williamsport, PA
Unemployed Professionals, Inc. - Jackson, MS
Miami Valley Unemployed Council - Dayton, OH
Millerton Unemployment Council Mon-Valley
  Unemployed Comm. - Millerton, PA
Mon-Valley Unemployed Committee - McKeesport, PA
New Haven Council for Unemployed Workers - New Haven, CT
Ohio Valley Unemployed Comm. - Wheeling, WV
Philadelphia Unemployment Project - Philadelphia, PA
Plant Closure Project - Oakland, CA
Rochester Area Unemployed Council - Rochester, NY
Workers Defense League - New York, NY
Southern Counties Action - Herrin, IL

Steel Valley Unemployed, Yorktown, OH
Summit County Unemployed, Norton, OH
The Employment Club/Beulah Presbyterian
  Church, Pittsburgh, PA
Tennessee Hunger Coalition - Nashville, TN
Tucker County Unemploy. Comm - Hambleton, WV
Unemployed Committee, United Citizens Org.
  of East Chicago - East Chicago, IL
Unemployed Council of Franklin County,
  Greenfield, MA
Unemployed Workers United - Elyria, OH
United Committee of Unemployed
  People - Baltimore, MD
Venango Co. Unemployed Council - Oil City, PA
Warren Co. Unemployed Council - Warren, PA
Windsor Co. Unemployed Council - Springfield, VT
Wives Action Committee - Johnston, PA

7. To publish and distribute a "briefing paper" on the issue of volunteering by the unemployed

We will develop, publish and distribute a "briefing paper" on the issue of volunteering by the unemployed that will complement the excellent report develop as a result of the first phase of the project. We originally proposed to do a major article in Voluntary Action Leadership that will highlights program examples of involvement by the unemployed. These two products will be used to reach beyond the Volunteer Centers into our larger network of volunteer leaders and managers.

The "briefing paper" will attempt to answer the questions posed in the report developed in Phase I. To accomplish this we conducted a mail/telephone survey of the local councils. The results of the survey were framed as a part of a research formated paper. This paper will be delivered in Spring of 1986 at a national research forum in New York City sponsored by the Independent Sector March 13-14, 1986. The survey questions to be reported on our as follows:

1. What are the steps to organizing councils and or improving communication among the unemployed?

2. Define the role of unemployed persons support organizations (eg. unions, churches, etc.)?

3. Why are organizations like unemployment councils not universal from community to community?

4. What procedures have councils used to fight back against Employment Services agencies penalizing recipients of unemployment benefits for volunteering?

The above represents "Action Steps" that were to be taken by VOLUNTEER - The National Center required that we develop a publication/study to improve communication among the unemployed while addressing the above questions.

Additionally, the success of the project the contacts with state associations and the success of two regional training session lead us to developing a "user manual". The manual is in direct response to the request from the field for a packaged document.

Finally, the Winter 1985-86 issue of Voluntary Action Leadership will carry a major article on the project in the special issue dedicated to Volunteer Centers.

III. SUMMATION/RESULTS

VOLUNTEER's operating premise for data gathering is that it is not enough to just say that a program was successful! It is important to have sustantiating data and meaningful analysis. In this instance we preceived that the value of the data here could be judged on how well we were able to develop (from the data). Characteristics of the participants involved and thus supporting this was a successful project. The descriptive information gathered here when applied to future like endeavors can, if put into the proper perspective be used to determine if the "treatment", volunteering, is a positive influence on the lives of the unemployed. The following is a review of the statistical comparisons made which will provide for a clear view of who we worked with from the community of the unemployed in Akron, Ohio and that over all there was a positive impact given that there was a rise in self-esteem.

General Frequencies

All figures are based on our standard number of 110 active participants in the program.

Gender

Male -	36
Felmale -	74

Age

15 and under -	6
16 to 24 -	19
25 to 39 -	65
40 to 59 -	16
60 and over -	4

Education Completed (years)

1 - 9 -	10
10 -12 -	13
High School Grad -	33
Some College -	37
College Grad -	16

Marital Status

Single -	89
Single Head of Household -	2
Married -	19

Period of Unemployment (Since last full-time job)

0 - 1 yr. - 73
1 - 3 yr. - 9
more than 3 yrs. - 28

Volunteering participation patterns by time of day and week

weekday 9-5 pm - 93
weekday evenings - 13
weekend 9-5 pm - 7
weekend evenings - 1

Volunteer Hours per week

1 - 5 hrs. - 23
6 - 10 hrs. - 34
11 or more hrs. - 52

Self-Esteem Pre-test Results

Excellent Self-Esteem - 24
Good Self-Esteem - 22
Fair Self-Esteem - 16
Poor Self-Esteem - 8
Very Poor Self-Esteem - 13

Of some interest are the following factors, 1.) approximately 70% of the participants were females, 2.) 40% of the participants have some college or are graduates, 3.) 80% of the participants are single, 4.) 25% of the participants have been out of work more than 3 years, and 4.) 75% of the participants tested upon entering the program were shown to have fair to excellent self-esteem.

Probably the most important factor here is 75% of the persons tested did not have a low self-esteem. This factor lead us to look at other contributing factors related to possible reasons why self-esteem was unexpectedly high coming into the program. This was a change from looking exclusively at the rise in self-esteem over time. Therefore, our next set of determinants for analysis were based on looking at some reasoning - or cause for high self-esteem (effect) for persons entering the program. This is in addition to statistically measuring whether or not there was a gain in self-esteem after program participation. The investigation of comparing self-esteem (high, moderate and low) by key factors listed above in order to describe the circumstances that did prevail.

Comparative Analysis

Table 1.

Percentage Self-Esteem by Age*

	15-24 yrs	25-39 yrs	40+ yrs
High Self-Esteem	12%	37%	9%
Moderate Self-Esteem	2%	12%	2%
Low Self-Esteem	7%	13%	4%

** p(greater than) .05 not significant

Table 2.

Percentage Self-Esteem by Gender

	Male	Female
High Self-Esteem	19%	39%
Moderate Self-Esteem	7%	10%
Low Self-Esteem	7%	18%

Table 3.

Percentage Self-Esteem by Time Unemployed*

	0-1 yr.	1-3yr.	3+ yr.
High Self-Esteem	38%	7%	13%
Moderate Self-Esteem	15%	1%	1%
Low Self-Esteem	13%	2%	9%

** p(greater than) .05 - not significant

Table 4.

Percentage Marital Status by Self-Esteem

	Single	Single Head of Household	Married
High Self-Esteem	43%	4%	11%
Moderate Self-Esteem	17%	-0-	-0-
Low Self-Esteem	22%	-0-	2%

Table 5.

Percentage Education by Self-Esteem*

	1-9 yrs.	10-12 yrs.	High School Grad.	College
High Self-Esteem	1%	8%	16%	34%
Moderate Self-Esteem	-0-	1%	7%	9%
Low Self-Esteem	4%	3%	9%	8%

**p (greater than) .05 - significant

In reviewing Table 1. we found that there is a reasonably balanced distribution, self-esteem by age. However, with 37% of all 25-39 year olds having high self-esteem upon entrance into the program this particular comparison was investigated further. Here we applied a non-parametric statistical procedure Chi Square (X^2) to test for significance. No significance was found thus suggesting there is no relationship here between age and self-esteem.

Table 2. - provides a clear indication that there is a very even distribution in levels of self-esteem between males and females.

Table 3. - Here we would assume that nearly 40 percent of those registering high self-esteem would have been unemployed a year of less. Yet, only 9 percent of the total of participants registering low-self-esteem had been without jobs 3 or more years. However, Chi Square treatment showed that there is no significant relationship between time unemployed and self-esteem. This factor was very surprising.

Table 4. - With 86% of the participants who were pre-tested for self-esteem being single there are relatively few participants to compare for contrast against (13%). The distribution from high - moderate - low is fairly well distributed across the singles.

Table 5. - Chi Square here confirmed that there is a significant relationship between education and self-esteem.

Despite long terms of unemployment, the individuals marital status and/or age we can assume in this instance that education contributed to self-esteem being high. There are number of factors of interest most pointing to the dispelling of our impressions of the characteristics of the unemployed who we would expect to recruit for Volunteering. They were single and fairly young - not startling but inlightening. They were mostly women. We had expected their self-esteem to be low and it was not. But, who would have also imagined that so many would have had college experience - especially, since our group was predominately black. Furthermore, at the onset the general concensus was that blacks would not volunteer - and they did.

The reporting here emphasizes that self-esteem was generally high for all participants. We did determine that there was a need to compare pre-post - self-esteem scores. Consequently, we found a goodly number of drops in self-esteem. This may be assumed not to be so unnatural given that the scores were so high (eg. Pre-100, post-96 etc). Most important is that only four (56, 56, 64 and 48) low self-esteem scores ended up dropping lower after program involvement - all others increased.

The following table depicts the results of statistically testing to see if there is a significant gain in self-esteem of participants after participating in a volunteer experience. Here we used a parametric measure - t-Test for significance.

Table 6.

t-Test for Significance Pre-Test by Post-Test by Participant Self-Esteem*

Pre-Test		Post-Test	
$\overline{X}$	SD	$\overline{Y}$	SD
74.96	16.85	77.08	16.87

** p (greater than) .05 not significant

We can conclude that self-esteem in this instance improved overall via program experience. However, the increase from pre to post was not found to be sta-statistically significant. The benefit of all the aforementioned discussion is that we now know much more about the unemployed and we are in a much better position to share this information with others.

It was important to collect meaningful data in order to effectively implement the program again in other locations where the unemployed and the community can benefit. We feel that we have had an opportunity to observe a non-traditionally volunteering group of people in some very traditional volunteering roles.

Here, our methods for accessing progress/growth were more sophisticated than normal in that they were in a broad sense affect oriented. A new threshold was crossed here we measured program outcome by impact on persons involved. We attained success and we know in a large part why:

1. Program approach was very appropriate to a community need and Volunteer Center service capability.
2. Program was made a legitimate part of Volunteer Center activities.
3. Community worked hard to support the program.
4. Project leadership was very effective.
5. Program participants were provided with a individually tailored volunteer and training track.

Inturn we are now comfortably able to hypothesize that their is a strong correlation between, motivation, self-esteem and education among blacks volunteering. This is a long way from our initial concern as to whether or not blacks our employed persons in general would participate in such an effort.

There is ample evidence through review of the various program result (via review of objectives) and project statistics to conclude that the program was successful. The project was predicated on two basic assumptions:

- First, that volunteering by unemployed people can assist them to cope with their and to return to the Workplace in three ways:
  - by helping them to remain involved productive people thus to maintain their self-esteem and confidence
  - by helping some of them to meet their short-term economic needs through self-help and mutual assistance
  - by helping them to become comfortable with the notion that there are alternative forms of paid work they can undertake
- Second, that in most communities the future of paid work lies in the service sector rather than in traditional manufacturing jobs and that volunteering is an appropriate way to introduce workers in latter industries to networks in the former.

Participants, improved in self-esteem, begun their own local Unemployment Council (self-help grou) and 32 "graduated" by finding employment.

However, this effort only scratched the surface of the vast amount of information to be gainedto further support our unemployed. While we have a successful model, more investigation is needed as well as more programs of this ilk, because unemployment will not go away anytime in the near future. The nation is no longer a world manufacturing power and the result is that there are thousands of people in this country who do not have a skill that is transferrable to the service industries. The great benefit of this program is that it provide a training ground for retooling the unemployed persons skills, keeping them productive, while serving the community.

One hundred percent of the volunteering positions were in service oriented agencies. Thus, providing the transitional mechanism for an appropriately introducing workers to the service sector network. Success here also is determined by the number of persons who were involved. This number was more than double what was originally projected.

WORKING DRAFT

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RESEARCH ON VOLUNTEERS FROM THE WORKPLACE: CURRENT PERSPECTIVES AND FUTURE POTENTIAL

by
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Prepared for
Who Volunteers and Why Panel
March 14, 1986

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Introduction

Although much has been written, particularly in the past five years, about public-private partnerships and the need for companies, large and small, to become more involved in community problem-solving through the utilization of their human resources, comparatively little has been written about the nature and scope of efforts to do so.

The field of workplace-based volunteering--that is, organized efforts by businesses, labor unions and voluntary organizations to encourage and support volunteer involvement by workers, is barely ten years old. Prior to 1978, there had been virtually no attempt to define and document workplace-based volunteer efforts nationwide, except as a part of other efforts to discuss social responsiblity, community involvement or philanthropic giving by companies. Indeed, when VOLUNTEER's predecessor organization, The National Center for Voluntary Action (NCVA), launched its first Volunteers from the Workplace study in 1978, the insurance industry's Clearinghouse on Corporate Social Responsibility (now the Center for Corporate Public Involvement) was the only organization which had explored this area through its annual Social Report of the Life and Health Insurance Business. Its survey population was restricted to member companies of the American Council of Life Insurance and the Health Insurance Association of America and its reporting on workplace-based volunteering was confined primarily two methods of support for it--released time and loaned personnel. In addition, since "voluntarism" was only one category in an overall report focused on social responsibility, the attention given to this area was limited.

Since 1978, a variety of organizations have launched surveys and reports (many of them one-time efforts) and individuals have written articles which have touched on or included as one aspect in them documentation about encouragement and support activities by companies for employee volunteering. They include the President's Task Force on Private Sector Initiatives survey about 5% and 2% Corporate Giving Clubs and the Conference Board's 1984 reports, Corporate Social Programs--Non Traditional Assistance and Corporate Contributions Outlook, 1984 as well as its annual survey of corporate contributions. In addition, the Council for Aid to Education's A Sampling of Corporate Statements on Social Responsibility, Contributions Policies and Procedures, the Council for Advancement and Support of Education's Matching Gift Details and surveys and reports on community relations issues and practices also provide information on mechanisms which may help to support employee volunteering, though neither of them discusses it directly. Both the 1981 and 1983 Gallup Polls about volunteering in America documented the number of employed people (full and part-time) who indicated that they were volunteering but neither poll created a demographic profile of the employed volunteer.

VOLUNTEER-The National Center has been the only national organization which has focused on worker volunteering as an independent subject and has conducted on-going activities and research to document and analyze the extent, nature and scope of workplace-based volunteering efforts. For the purposes of this discussion, we will focus only on the activities which have been undertaken in the area of corporate encouragement and support of employee volunteer activities.

Research Thus Far

VOLUNTEER's work over the past eight years has focused on:

- the identification of encouragement and support activities by companies in the area of employee volunteering;
- the internal structuring and management of those activities;
- the numbers and types of employee volunteers involved in the community as a result of deliberate efforts by the company;
- the internal and external resources utilized by business in these efforts;
- the obstacles encountered and the benefits realized by business, employees, non-profits and local communities.

In addition to its own written surveys, interviews with various levels of company personnel and types of non-profit organizations, and collection of written materials about these activities and programs, VOLUNTEER has cooperated with companies producing studies on corporate attitudes about volunteerism and on reports about business support for employee volunteering.

The first national survey about volunteers from the workplace, produced under a grant by the same name and funded by the Charles Stewart Mott and J.M. Foundations, identified the various activities which characterize companies' support for this area. The listing has provided a classification mechanism for companies interested in establishing their activities and programs in employee volunteering as well as assisted non-profit organizations in their knowledge about potential corporate non-cash resources available to the voluntary sector. The survey results also helped to establish a base of knowledge about the amount of encouragement and support being undertaken by companies nationwide as well as about the extent of employee volunteering in community activities by subject area and type of involvement (i.e. group projects, management assistance, individual direct service, policy making on non-profit boards, etc.). Other research carried out in this period catalogued key elements and benefits of successful employee volunteer programs, documented obstacles to further activities by companies and employees and produced case studies illustrating models of employee volunteer activities and programs.

VOLUNTEER's activities subsequent to the first grant carried its initial research several steps farther. Working with a select group of companies which had pioneered structured employee volunteer programs, VOLUNTEER documented the need for a network of corporate staff responsible for this program area inside companies at both the local and national level and enumerated factors which would affect the development of corporate support of this area in the future. Results of this work led to the establishment of local Corporate Volunteer Councils and the National Council on Corporate Volunteerism. Additional work with larger groups of companies revealed training needs for corporate staff in charge of operating programs and for staff with overall management responsibilities of corporate employee volunteer efforts. Along with the need for more training, the research also exposed the need for written tools to aid corporate volunteer administrators with their jobs as well as to assist community brokering organizations (i.e. Volunteer Centers) and non-profit agencies to better initiate and maintain effective working relationships with business.

In 1983, The Mutual Benefit Life Insurance Company (in consultation with VOLUNTEER) surveyed 600 Chief Executive Officers of national firms of varying sizes (half of which were among the largest in the country) on their attitudes regarding volunteerism and their company's support of it. This study was the first attitudinal one with top management about corporate involvement in volunteering as a separate subject. Its findings helped to supplement the data which VOLUNTEER had been collecting from other levels of the comany and from community organizations about the process and results of company employee volunteer involvement. Not only did these activities create a further body of knowledge and reveal additional needs about corporate employee volunteering, but they increased public exposure and awareness about specific efforts by individual companies as well as about the need for the overall involvement by business in community problem-solving through volunteerism.

For the past two years, VOLUNTEER's work in this area has been conducted largely under the Workplace in the Community grant, funded by the Levi Strauss Foundation, CBS, Inc., Honeywell Inc., and Aetna Life & Casualty Foundation. Under its auspices, five types of research activities have been carried out. They include the third national survey about activities/mechanisms by companies to encourage and support employee volunteering. Preliminary results of this survey and data collected about and from local Corporate Volunteer Councils (CVCs) indicate that there has been an appreciable increase in the numbers of companies becoming involved in this type of non-cash resource sharing. Preliminary survey results also show that the subject areas in which employees are volunteering correspond to the areas identified in the 1981/83 Gallup polls on American volunteering.

A second piece of research on the formation and activities of local CVCs has led to a delineation of the steps and relationships with non-profit organizations necessary to establish viable and successful CVCs. Examination of the need for companies to keep records about the various aspects of their programs and to conduct some type of program evaluation will result in the release of a basic evaluation tool. Finally a variety of data and anecdotal information has been gathered on the role of employee volunteer programs against other company priorities/objectives and in relationship to the role of community brokering agencies (i.e. Volunteer Centers) in working with companies to achieve their and the community's goals. In a companion attitudinal study to its 1983 survey of CEOs from large corporations, Mutual Benefit Life (again in consultation with VOLUNTEER) conducted a survey of small business executives regarding their support for and encouragement of their employees to volunteering.

Implications of the Research Thus Far

Taken together, the research to date has defined the parameters of corporate volunteering, delineated the principles involved in it, identified its key aspects and explored the roles and relationships of employee volunteering to the "larger" company and to the community. It has also provided a basis for analyzing the current state of employee volunteer programs as separate entities, in the context of their companies and with community organizations which work with these programs. These findings reveal both positive and negative aspects about corporate employee volunteer programs.

The number of employees who are volunteering as a result of company encouragement and support cannot be determined. Although results of various surveys and case studies have enumerated the areas and types of employee volunteer involvement, they do not provide hard data as to the numbers of employee volunteers. Several factors contribute to this lack of data. Many companies still do not keep records on the extent of their employee volunteer involvement. Where records are kept, much of the time they are restricted only to specific projects. Some companies actively resist record-keeping, believing that they would harm rather than help the encouragement and support activities/program's continued existence. Although in the past another contributing factor has been the lack of need for statistical justification of the activities/program, as companies' economic situations have worsened, corporate volutneer administrators have noted more attention being paid to "numbers crunching" in this area.

Employee volunteer programs are largely "first generation". Taken as a group, the encouragement and support activities/programs conducted by companies produce fairly low risk, low impact types of involvement on the the part of employees. While these activities perform a community service, they are, most often, unlikely to address controversial, critical community needs. Although most of hte structured employee volunteer programs which exist have established specific identities in their companies and in their communities, programmatically both informally organized activities as well as centralized, coordinated programs remain largely outside of the mainstream of the company's business. The activities and programs are generally regared as "soft" by company decision-makers who also do not generally see them producing significant "business" benefits to the company. Visible results of this thinking are that most programs are understaffed and under-resourced and do not reflect application of management practices which are utilized throughout the rest of the company.

Results of surveys and interviews with corporate volunteer administrators have helped to create a profile of their current position and working situation within the company. Although the vast majority of them have more access to top corporate decision-makers than their colleagues at comparable levels in the company, most administrators are at relatively low levels in the company without ultimate decision-making power for their program area. Most of them come into their jobs with no preparatory training and with virtually no support networks identified inside the company to assist them as they try to initiate program activities. Data shows that they are further hampered by job responsibilities which fragment their time and allow them, on the average, only between 10-25% of their time to be spent on activities concerned with employee volunteering.

Outside resources (i.e. Volunteer Centers and non-profit organizations) which can and do provide services to corporate volunteer administrators and their companies for their employee volunteer programs are similarly understaffed and under-resourced to work in this area. Compounding these problems is the fact that, although non-profits in the past five years have made great strides in approaching companies for and working with them to gain non-cash resources, taken as a group, non-profit organizations still view available resources from companies primarily in monetary terms.

Research Needs for the Future

Because the "field" of corporate employee volunteering is still relatively young and because conditions within corporations and communities which affect its survival and growth are undergoing rapid change due to internal and external factors, a variety of research needs remain. What follows are some of the key areas still to be explored if employee volunteer programs are to weather the present changes and become more integrated into the ongoing business of companies of all sizes:

- o Deeper "context" research which explores more fully and with key levels inside the company the reasons behind corporate involvement in this area and how programs can be more fully integrated with other company priorities;
- o The affect which acquistions, mergers and takeover blocks have had on present programs and the degree to which they are affecting the development of new programs;
- o More in-depth profile information about the staff operating the programs inside companies as well as those staff (one or two levels higher) who have overall responsibility for decision-making about the program in relationship to the rest of the company;
- o "Harder" data on the costs of these activities/programs to the company and the benefits perceived to be gained;
- o Attitudinal surveys exploring the importance of employee volunteering as a strategic planning tool for the company as well as development of case study information which may show how it can effectively work in corporate strategic planning;
- o Continuation of the current work on measuring the results and impact of current activity and program efforts.

Much of the continuing research can be undertaken not only as a part of VOLUNTEER's continuing commitment to this area from its "volunteering perspective" of corporate involvement, but is open to other national voluntary organizations and business-related groups which have included employee volunteering as a legitimate part of corporate public involvement activities as it relates to their perspectives.

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SECTION SEVEN - SIZE, SCOPE AND DIMENSIONS OF THE INDEPENDENT SECTOR

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WORKING DRAFT

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TOWARD A NATIONAL TAXONOMY OF EXEMPT ENTITIES

by
Russy D. Sumariwalla

Prepared for
Size, Scope and Dimensions
of the Independent Sector Panel
March 14, 1986

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INTRODUCTION

The quest for a national classification system for the nonprofit sector dates back several decades. As will be seen later in this paper, over the years, a number of different systems were developed by different groups but to date no single system has been universally used or accepted to describe this sector.

The voluntary nonprofit sector in the U.S. is vast and varied. It touches every aspect of the planetary environment and existence. It is, however, part of a much larger group of organizations and institutions that qualify for exemption from Federal and/or state taxation. In brief, the sector includes all organizations that are not primarily governmental or commercial (i.e., operating to produce goods and/or services to make profit for their owners). The Internal Revenue Service (IRS) lists more than one million such organizations of which 828,342 were on its "active" list as of August 31, 1985. But hundreds of thousands more, if not millions, are known to be functioning and not on the IRS list.

Meaningful information about a sector so diverse and so vital to society becomes impossible in the absence of a classification system which groups like organizations by purpose, type or major function. It is the burden of this paper to describe an effort which attempts to accomplish precisely that objective.[1]

Genesis of the Present Effort

The current quest for a classification system goes back to the late 1970s when the National Information Bureau (name recently changed to National Charities Information Bureau [NCIB]), developed a series of projects on the nonprofit sector. This effort was primarily focused on the development of a uniform reporting system for all charities, charities' regulators and researchers to measure and describe the sector and to assess its performance.

The concept of and the need for a national center or institute for authoritative and objective information on the sector -- something akin to the Bureau of Labor Statistics or The Conference Board -- was first advocated by this writer[2] in 1981 and adopted by NCIB as a special project. Thus, the National Center for Charitable Statistics (NCCS) was started as a special project of NCIB with a steering committee to guide the project. Subsequently, when NCCS was incorporated as an independent, IRS Section 501(c)(3) organization, a national classification system became one of its top priorities.

In 1983, this writer was requested to present a paper[3] on the scope, size and classification of the sector at the first annual Spring Research Forum organized by the INDEPENDENT SECTOR. Finally, in July 1984, when funds became available, a project to develop a "national taxonomy of exempt entities" was launched under the direction of this writer. The taxonomy presented in this paper represents 95 percent completion of this project. The final product will be unveiled sometime in April 1986 at a special invitational meeting called by the INDEPENDENT SECTOR.

What is a Taxonomy? Why do We Need One?

Taxonomy is the study of the general principles of scientific classification which is the systematic distinguishing, ordering and naming of type-groups within a subject-group. To classify is to group or segregate in classes that have systematic relation usually founded on common properties or characters.

Quite simply, generally speaking, classification is essential to the understanding and explication of all phenomena -- in short, pursuit of knowledge. It not only facilitates communication, but depending upon the level of specificity, it enhances the quality of communication and information.

With respect to information about the nonprofit, tax-exempt organizations sector, classification:

- Facilitates the collection, tabulation, presentation and analysis of data by types of entities and the services they provide;
- Promotes uniformity and comparability in the presentation of statistical and other data collected by various public and private agencies; and, most importantly,
- Provides a better quality information basis for public policy debate and decision making as it relates to the sector and society at large.

Types of Classification

For the purposes of meaningful information about the sector, two basic types of classification systems are proposed. First, at a more simpler and practical level, we have a system which classifies organizations or entities themselves -- one entity, one code, regardless of number of different activities, programs or services conducted.

The second type of classification involves a system which can be used to describe in detail what each organization is providing or producing by way of programs, services or activities. For reasons cited below, the taxonomy presented here is of the first variety -- i.e., primarily designed to classify entities themselves according to type, purpose or major function. The remainder of this paper is in four sections: (1) an overview of the state of the art in sector classification; (2) the NCCS classification project; (3) outline of the draft taxonomy itself; and (4) next steps in dissemination and implementation.

SECTOR CLASSIFICATION: OVERVIEW OF THE STATE OF THE ART

Among numerous sector classification schemes, we have selected nine which have been in recent use and are significant in that they have been used in research and writings about the sector. These nine classification schemes are developed and used by:

1. The American Association of Fund Raising Counsel, Inc., (AAFRC) for their annual Giving USA report.
2. State of California, Charities Registration office.

3. Council for Financial Aid to Education (CFAE) and The Conference Board (CB) for their annual survey of corporate contributions.

4. The Foundation Center for their surveys and publications.

5. New York State, charities regulation authorities for registration and monitoring.

6. Nelson Rosenbaum and Bruce Smith for their study of "The Fiscal Capacity of the Voluntary Sector" and subsequent research.[4]

7. The Urban Institute for their Nonprofit Sector Project.[5]

8. United Way of America[6] for uniform classification and reporting of programs of agencies funded by local United Way organizations.

9. The Internal Revenue Service for coding major activities of exempt entities.

The first eight systems are arrayed on a chart on the next page. The IRS classification scheme is displayed separately on a second chart. It is not our purpose in this paper to describe in detail or evaluate the nine classification schemes. All are used to classify charities and/or what they do. A quick review of the two charts will indicate similarities and differences among them. Brief descriptions follow:

AAFRC. This scheme has no subclassification or a second level component coding. Only the briefest -- one or two sentence descriptions -- are given to indicate what types of entities might be included under each heading. This is probably the simplest charities classification scheme in use.

California State. This scheme has been in use for a few years. The major groups cited on the chart expand to about 90 specific codes. For example the major group "Welfare" includes code 113 for "Housing."

CFAE/CB. This scheme includes over 40 classifications which describe the five major groups cited on the chart.

Foundation Center. This scheme also lists about 40 classifications. For example under the major group "Welfare" is listed "Business/Employment" as well as "Recreation."

New York State. The 11 major groups in this scheme lists about 50 classifications. For example the major group "Social Welfare" includes a classification called "Minority Groups."

Rosenbaum/Smith. This is a three-level hierarchical taxonomy and contains within it 83 classifications. For example, the major group "Human Services" is broken out into six minor group classifications which, in turn, are further classified. Thus, "Services to Children" under "Human Services" includes three specific types of services:

1. Residential and Foster Care Facilities
2. Adoption and Child Welfare Agencies
3. Day Care Services

CHART I

COMPARISON OF EIGHT MAJOR NATIONAL AND STATE CLASSIFICATION SCHEMES

AAFRC*	CALIFORNIA STATE	CFAE/CB*	FOUNDATION CENTER	NEW YORK STATE	ROSENBAUM-SMITH	URBAN INSTITUTE	UNITED WAY OF AMERICA
Health & Hospitals	Health & Medical	Health & Welfare	Health	Health & Rehab.	Health Services	Health Care	Health
Education	Education	Education	Education	Hospitals & Related	Education & Research	Education	Education
Civic & Public Affairs	Welfare	Civic & Community	Welfare	Cultural & Educational	Civic & Social Action	Housing, Community Develop., & Citizen Participation	Safety, Protection
Social Services	Religious	Culture & the Arts	Culture	Civic	Human Services	Social Services	Social Functioning
Arts & Humanities	International Activities	Other	Religion	Public Policy Educ.	Arts & Culture	Culture, Arts, & Recreation	Support Orgs. & Activities.
Religion			Social Sciences	Social Welfare	International Services		Basic material Needs
Other			Science	Social, Fraternal, & Professional			Environment
				Foreign Relations/Foreign Assist.			Jobs & Income
				Fund Raising & Support Orgs.			
				Animal Welfare/Environ. Preservation			
				Other			

*AAFRC—American Association of Fund-Raising Counsel, Inc.

*CFAE/CB—Council for Financial Aid to Education/The Conference Board

CHART I

CHART II

IRS ACTIVITY CODES

[GROUP HEADINGS ONLY]

1. Religious Activities
2. Schools, Colleges, and Related Activities
3. Cultural, Historical, or Other Educational Activities
4. Other Instruction and Training Activities
5. Health Services and Related Activities
6. Scientific Research Activities
7. Business and Professional Organizations
8. Farming and Related Activities
9. Mutual Organizations
10. Employee or Membership Benefit Organizations
11. Sports, Athletic, Recreational, and Social Activities
12. Youth Activities
13. Conservation, Environmental, and Beautification Activities
14. Housing Activities
15. Inner City or Community Activities
16. Civil Rights Activities
17. Litigation and Legal Aid Activities
18. Legislative and Political Activities
19. Advocacy
20. Other Activities Directed to Individuals
21. Activities Directed to Other Organizations
22. Other Purposes and Activities

CHART II

The Urban Institute. The Urban Institute developed a new taxonomy for their "Nonprofit Sector Project" using the IRS activity codes as a basis for grouping similar types of activities. For example, under the major group "Social Services" is listed "Employment and Training" (IRS activity codes 566 and 126).

United Way of America. UWASIS II is the most detailed and complex of taxonomies reviewed. It is a four-level hierarchical system that identifies, classifies and defines 587 "human service programs" within the framework of eight broad social goals, 33 services systems and 231 services classifications. For example:

5-0-00-00: GOAL -- OPTIMAL ENVIRONMENTAL QUALITY
5-1-00-00: Environmental Protection Services System
5-1-01-00: Pollution Abatement and Control Service
5-1-01-01: Air Pollution Control (Unspecified) -- Program

IRS. Within the 22 major groups, the IRS activity coding scheme encompasses over 250 specific classifications. For example, under the major group "Other Activities Directed to Individuals" is listed "Draft Counseling" (code 567).

Even a cursory review of the above classification systems ought to convince the reader as to the need for a single national taxonomy usable by the key research groups. In short, the state of the art in nonprofit sector taxonomy is not as developed as might be expected. The present effort was designed to remedy this situation. Only years of future experience will tell if we were successful or even if we made a solid beginning in the right direction.

THE NCCS CLASSIFICATION PROJECT

In this section we shall briefly describe the method and process by which the taxonomy in the following section and the Appendix was developed.

An 18-month project was launched by NCCS in July 1984 with the appointment of this writer as the project director and a special NCCS Classification Task Group to provide general guidance and oversight to the project. The project plan called for the development of the taxonomy in five phases: (1) pre-development; (2) development; (3) testing; (4) revision; and, (5) publication/dissemination.

During the pre-development phase, the writer reviewed relevant literature on taxonomies in general (see Bibliography) and critically examined major classification systems in use for describing the nonprofit sector. This was followed up by in depth consultations with individuals having special knowledge about and interest in the nonprofit sector. Also, during this phase we conducted an assessment of information needs of prime users and potential customers of classification systems. The information they gathered was analyzed for its implications for the development of a new taxonomy.

The development phase began with the conceptualization of possible alternative approaches. These approaches were reviewed and discussed with the NCCS Classification Task Group and selected other individuals. Out of this process of testing of ideas came the final decision as to the shape and size of the taxonomy. The next step in the development phase was to create a working document with full listing of major group categories and sub-categories.

We were now ready to enter the testing phase. Through the good offices of Larry Campbell, Registrar of Charitable Trusts, State of California, we were able to test the concepts and the working draft extensively. California has the largest number of tax-exempt entities in the nation -- over 40,000 at last count. We were able to review a cross-section sample of actual files on individual charities registered with the state. Over 2,000 such files were reviewed by the writer and a cadre of volunteers trained and coordinated by the United Way of Sacramento Area. On a much smaller scale, other informal tests were conducted.

This intensive review and testing process resulted in a substantial revision of the working draft document. The revised version of the taxonomy was next used to code the entire charities files in the states of Connecticut and Oregon. The local United Way in Portland, Oregon and the Voluntary Action Center in Hartford, Connecticut provided the volunteers. The assistant attorneys-general responsible for charities registration and monitoring fully and enthusiastically cooperated with the project. Again, charities files were individually pulled off the shelves, relevant information was gleaned, and each file was given a classification code. In cases of difficulties or problems in arriving at a decision in coding, appropriate notations were made on coding sheets for subsequent review and action. In all cases the author personally trained the coders and/or their trainers. Special in depth briefing sessions were held on-site in California, Connecticut and Oregon because of the physical location of the files.

A final test is about to be launched in Newark, New Jersey as this paper is going to press. Under the joint auspices of the Center for Nonprofit Corporations, Trenton, New Jersey, NCCS and the New Jersey Attorney General's office, the entire New Jersey charities files (over 3,000) will be coded using the draft taxonomy presented below.

This brings us to the final publication/dissemination phase. We are now putting the finishing touches on taxonomy reflecting the experience of Oregon and possibly New Jersey. As mentioned earlier, the final document will be unveiled sometime in April 1986.

TOWARD A NATIONAL TAXONOMY OF EXEMPT ENTITIES

Key Considerations

In designing the taxonomy we determined early that it would not be practical to attempt to meet the needs of all possible users. Thus, we had to focus on the needs of major user groups and the prospects of their acceptance and adoption of the NCCS developed classification system. Thus, the IRS and state charities regulators were identified as the key user groups in the first instance. Intensive consultations were conducted with these groups and key decision-makers were involved in deliberations throughout the development process.

We decided at the outset that if this taxonomy were to be adopted by the key groups it would have to be simple, self-explanatory, concise and brief. Length and complexity are major obstacles to its adoption. Thus, we assumed that a national taxonomy will not satisfy all possible customers. Taxonomy development in this case is still an art form. Some compromises have to be made and some arbitrary judgments have to be reached. The author accepted this challenge and responsibility knowing fully well he could not satisfy all interested parties.

Conceptualization of a National Taxonomy

The four-digit coding system is composed of two major components:

MAJOR GROUP CODE	-	MAJOR ACTIVITY WITHIN GROUP	PRIMARY BENEFICIARY
X	-	XX	X

The first digit [X - XX - X] identifies the organization by Major Group in which it is classified. The major group classification is determined by answering the following types of questions: What is the basic purpose of this entity? Why was it formed? What seems to be the primary reason for its existence? What kind/type of entity is it? If there was only one thing it could do what would it be? For example, a Humane Society is classified under major group code A for Animal Related.

The next two digits [X - XX - X] are used to identify major/principal program activity of that organization. For example, if an entity is classified in major group K (Employment/Jobs) and provides Job Training as its major activity, code 22 is used. Thus, such an organization is coded K22.

Major activity codes 01 through 20 [X - XX X] are reserved for certain functions common among organizations in all major groups. For example, code 13 is a permanent code for "Research" as major activity and can be used with any major group code. Thus, B13 will denote an entity that conducts research in Arts/Culture/History/Humanities and K13 will denote an entity that conducts research in Employment/Jobs subject area. In both these instances the code 13 remains constant, namely, Research.

Codes 21-99 [X - XX - X] identify different major activities specific to each major group. For example, code J21 identifies Early School Admissions/ Nursery Schools as major activity, wheras Code H21 indicates Small Business Development as the major activity.

Codes 00 [X - XX - X] is used as a catchall to indicate not elsewhere classified (NEC) within each major group code. For example, K00 will denote Employment/Jobs NEC.

Beneficiary Code

The primary beneficiary code, the fourth digit of this system, [X - XX - X] is designed to identify the primary or major intended beneficiary/client/recipient group of the entity. Tax-exempt organizations, as distinguished from for-profit organizations, are often created to help a particular group (e.g., children, women, aging, minorities) in need of some particular type of service. This type of information is of practical value to many user groups. To our knowledge no national taxonomy of nonprofit sector has considered this important data element. It is hoped that the use of this primary beneficiary code will enable various user groups to identify organizations that specialize in helping some particular client group such as immigrants, students, etc.

Readers are directed to the Appendix to this paper where the proposed NCCS taxonomy is presented in outline. It shows all major group codes, common activity codes and beneficiary codes. Activity codes 21 to 99 under each major group code are not listed here in the interest of space.

NEXT STEPS

The creation of a national taxonomy of exempt entities marks the end of one phase but the beginning of perhaps a more important and difficult phase, one concerning its adoption and uniform and consistent utilization by key groups across the country. This poses a real challenge to NCCS which has no legal authority or mandate from anyone to do anything. However, INDEPENDENT SECTOR, under the able leadership of Virginia Hodgkinson, has already entered into important negotiations with the Statistics Division of the IRS to utilize the NCCS classification system for their sample study of the exempt organization's file. Other implementation plans are being developed.

Further, several state charities regulators have shown keen interest in the project from its inception and are awaiting its completion. As the major repositories of information on the nonprofit sector these offices can play a critical role in nationwide implementation of the NCCS taxonomy.

Still much work will have to be planned and executed. Many workshops and training sessions will have to be organized. Major national agencies could play an important role in informing their affiliates. It is conceivable that after a couple of years' experience in different states some changes will have to be made. However, it is hoped that, a few years in the future, we will have a national classification system for the nonprofit sector that is acceptable to and used by all major parties at interest, and thereby, we will develop better quality information and better understanding about this vital part of our society that is neither government nor business -- something the Filer Commission[7] characterized as *terra incognita* and something which remains *terra incognita* to most people even today.

NOTES

[1] Many individuals and organizations contributed to this NCCS project. While it is impractical to thank them all individually by name, the author wishes to single out those who had major involvement and consistently helped throughout the project. Our sincere thanks to the Atlantic Richfield Foundation and EXXON Corporation for their financial support of this project and our deep appreciation to the following individuals: Virginia Hodgkinson; Elizabeth Boris, Chair of NCCS Classification Task Group; Cynthia Woodside, Project Assistant; Larry Campbell, California State Registry of Charitable Trusts; David Ormstedt, Assistant Attorney General, State of Connecticut; Ross Layborn, Assistant Attorney General, Oregon State.

[2] United Way of America, *Some Aspects of Philanthropy in the U.S., Scope and Trends* (Alexandria, Virginia, December 1981) p. 59.

[3] See Sumariwalla, 1983.

[4] Bruce L. R. Smith and Nelson Rosenbaum, *The Fiscal Capacity of the Voluntary Sector*, paper presented at the Brookings Institution National Issues Seminar on "The Response of the Private Sector to Government Retrenchment" December 9, 1981.

[5] See Salamon, 1982.

[6] United Way of America, *UWASIS II, A Taxonomy of Social Goals and Human Service Programs, Second Edition of United Way of America Services Identification System* (Alexandria, Virginia, November 1976).

[7] Commission on Private Philanthropy and Public Needs, *Giving in America, Toward a Stronger Voluntary Sector*, 1975, p. 31.

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X - XX - X

MAJOR GROUP CODE BY PRIMARY PURPOSE, TYPE OR SUBJECT AREA

A. ANIMAL RELATED

B. ARTS/CULTURE/HISTORY/HUMANITIES

C. CIVIC IMPROVEMENT - CAPACITY BUILDING

D. CIVIL RIGHTS/SOCIAL ACTION/ADVOCACY

E. CLOTHING/APPAREL/HOUSEHOLD FURNISHINGS

F. CONSUMER PROTECTION & SAFETY

G. CRIME & DELINQUENCY PREVENTION/PUBLIC PROTECTION

H. ECONOMIC/BUSINESS DEVELOPMENT - COMMUNITY BENEFIT

I. EDUCATION - GENERAL PUBLIC AWARENESS RAISING

J. EDUCATION/INSTRUCTION - FORMAL/ACADEMIC

K. EMPLOYMENT/JOBS

L. ENVIRONMENTAL QUALITY & PROTECTION

M. FOOD/NUTRITION/AGRICULTURE

N. FOUNDATIONS: COMMUNITY, PRIVATE, OPERATING, OTHER GRANT-MAKING

O. FUND RAISING & DISTRIBUTION - FEDERATED & OTHER

P. HEALTH - MENTAL RETARDATION/ DEVELOPMENTALLY DISABLED

Q. HEALTH - PHYSICAL & REHABILITATION

R. HOUSING/SHELTER

S. INCOME SUPPORT/FINANCIAL AID - INDIVIDUALS & FAMILIES

T. INTERNATIONAL

U. LEGAL AID/PUBLIC DEFENDER

V. MENTAL HEALTH/CRISIS INTERVENTION

W. PUBLIC SAFETY/EMERGENCY PREPAREDNESS & RELIEF

X. RECREATION/LEISURE/SPORTS/ATHLETICS

Y. RELIGION RELATED/SPIRITUAL DEVELOPMENT

Z. RESEARCH/PLANNING/EVALUATION

1. SCIENCE & TECHNOLOGY

2. SOCIAL SERVICE - INDIVIDUALS & FAMILY

3. TECHNICAL ASSISTANCE

4. TRANSPORTATION

5. VOLUNTARISM/VOLUNTEERISM

6. YOUTH DEVELOPMENT

7. RESERVED FOR FUTURE USE

8. RESERVED FOR FUTURE USE

9. MULTI-PURPOSE ENTITIES

X - XX X

MAJOR PROGRAM ACTIVITY CODE

CODES 01 THROUGH 19 RESERVED FOR MAJOR PROGRAM ACTIVITY COMMON TO ALL MAJOR GROUP CODES

01 ADVOCACY
02 CONSULTATION/TECHNICAL ASSISTANCE
03 CONSUMER PROTECTION
04 EQUAL OPPORTUNITY
05 INFORMATION AND REFERRAL
06 MATERIAL, SUPPLIES, EQUIPMENT, BUILDINGS, PROVISION/DEVELOPMENT (GIFTS IN KIND)
07 PERSONNEL TRAINING & DEVELOPMENT
08 PLANNING
09 PROGRAM DEVELOPMENT
10 PROGRAM EVALUATION/ASSESSMENT
11 PROGRAM COORDINATION (SIMILAR/ SEVERAL AGENCIES)
12 PUBLIC EDUCATION/INCREASING PUBLIC AWARENESS
13 RESEARCH
14 STANDARD-SETTING/ACCREDITATION/ MONITORING
15 AUXILIARIES/SUPPORT GROUPS (E.G., FRIENDS OF SYMPHONY, ALUMNI ASSOCIATIONS, ETC.)
16 FUTURE COMMON PROGRAM
17 FUTURE COMMON PROGRAM
18 FUTURE COMMON PROGRAM
19 FUTURE COMMON PROGRAM

CODES 20 THROUGH 99 ARE USED FOR DIFFERENT PROGRAM ACTIVITIES UNDER EACH MAJOR GROUP

X - XX - X

BENEFICIARY CODE

A. ALL/GENERAL PUBLIC/BENEFICIARY GROUP NOT SPECIFIED

AGE

B. CHILDREN/INFANTS/BABIES
C. YOUTH
D. AGING/ELDERLY/SENIOR CITIZENS/RETIRED

SEX

E. BOYS/MEN
F. GIRLS/WOMEN

RACE

G. ASIAN/PACIFIC ISLANDER
H. BLACKS
I. HISPANICS
J. NATIVE AMERICAN/AMERICAN INDIAN
K. MINORITIES - OTHER SPECIFIED RACIAL/CULTURAL GROUPS NEC
L. MINORITY - ALL/UNSPECIFIED/GENERAL

X - XX - X

BENEFICIARY CODE (continued)

OTHERS

M. FOREIGN NATIONS & PEOPLE/ INTERNATIONAL

N. HANDICAPPED - PHYSICALLY

O. HANDICAPPED - MENTALLY/EMOTIONALLY

P. HANDICAPPED - UNSPECIFIED/GENERAL

Q. IMMIGRANTS/NEWCOMERS/REFUGEES/ STATELESS

R. MEMBERS - USUALLY DUES PAYING - NEC

S. MILITARY/VETERANS

T. OFFENDERS/EX-OFFENDERS

U. POOR/ECONOMICALLY DISADVANTAGED

V. SPECIFIC GEOGRAPHIC AREA INHABITANTS

W. SPECIFIC NAMED GROUP - NEC

X. STUDENTS

Y. ANIMALS

Z. RESERVED FOR FUTURE USE.

ILLUSTRATION OF MAJOR GROUP AND PRIMARY FOCUS OR ACTIVITY WITHIN GROUP

K. EMPLOYMENT/JOBS

00	Employment/Jobs Related NEC
01-20	See Under Reserved Common Codes
21	Employment Procurement
22	Employment Training
23	Bonding Help for Jobs
24	Exemplary Rehabilitation Certification
25	Sheltered Remunerative Employment
26	Work Activity Centers
27	Homebound Employment
28	Vocational Rehabilitation
29	Vocational Counseling
30	AIN

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MEASURING THE SIZE, SCOPE AND DIMENSIONS OF THE INDEPENDENT SECTOR: A PROGRESS REPORT

by
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Prepared for
Size, Scope and Dimensions
of the Independent Sector Panel
March 14, 1986

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MEASURING THE SIZE, SCOPE, AND DIMENSIONS OF THE INDEPENDENT SECTOR: A PROGRESS REPORT

The first biennial edition of Dimensions of the Independent Sector: A Statistical Profile (1984), provided a beginning formulation to measure the size, scope and activities of the independent sector, and how it fits into the American society. Through this process we identified not only information that was available from various public and private sources, but also the many gaps that existed. Because of these numerous and serious gaps, the authors had to develop means of providing estimates for the scope and functions of this sector by piecing together data from various discrete surveys. In other areas, estimates could not be made at all because information simply did not exist. At the end of that first edition, we wrote an afterword outlining the major gaps in information that prevented an accurate description of this sector.[1]

The purpose of this paper is to describe how we developed our framework, which sources of information were used for making estimates, and to describe what progress has been made since 1984 to fill in some of the information gaps on this sector. Finally, we enumerate the major gaps that still remain that prevent a complete description of this sector.

I. The Format for Measuring the Sector

In undertaking research on measuring the independent sector, we benefitted from the work of our predecessors, particularly some of the work commissioned by the Commission on Private Philanthropy and Public Needs (the Filer Commission). Often, we replicated the steps and procedures some of those scholars had used in deriving our more recent estimates. In performing our work, however, there were some initial steps that we took to define and distinguish the independent sector from all other nonprofit organizations. We had to develop a model of the independent sector in order to enumerate and estimate its different dimensions, such as the number of units, employment, volunteers, sources of support and uses of support.

This framework that we developed also provided us with a way both to seek out information and to identify information gaps. The following model (Figure 1) provided us and still provides us with a view of the sector ranging from activities, to output, to receipts and expenditures of the sector. It also allows us to chart the current state of information available on this sector.

Figure 1

INDEPENDENT SECTOR

Factors Linked With Its Characteristics and Dimensions

ACTIVITIES

1-Treating patients
  a. Maintaining sanitary conditions

2-Publishing newsletters
  a. Gathering information

3-Giving performances
  a. Rehearsals

4-Conducting museum tours

5-Distributing food packages

  a Assembling packages

6-Preparing payrolls

Equal to or transformed into:

OUTPUT

A. Indicators

1-Number of examinations

2-Circulation volume

3-Number of performances, attendance

4-Number of visitors

5-Number of food packages distributed

B. Users of Output

1-Consumer-characteristics
  a. Demographic
  b. Social
  c. Economic

2-Business

3-Government

Financed (made possible, validated) by flow of funds from such sources as:

RECEIPTS

A. Cash

1-Charitable contributions
  a. Individuals
  b. Bequests
  c. Corporations
  d. Foundations
  e. Government

2-Fees for service
  a. Individuals
  b. Corporations
  c. Government

3-Capital Account
  a. Return on capital
  b. Disinvestment

4-Borrowing

B. In-kind receipts
  1. Volunteers (time)
  2. Other--real estate, products, artwork, etc.

Pay for utilization of resources in such areas as:

EXPENDITURES

1-Labor
  a. Paid
  b. Volunteers

2-Goods and services

3-Space

4-Interest

5-Investment

In order to support such activities as:

Activities → Output → Receipts → Expenditures → Activities → Output → Receipts → Expenditures →

The purpose of this model was to develop a way to measure the functions and activities of the independent sector within the context of the American society and economy. For example, by comparing the number of institutions, the employment, the sources and uses of support, and the output of this sector, we could begin to look at the other sectors of the American society and to distinguish its unique features. Until we produced our profile, attempts to describe this sector in those terms had been fragmentary. We knew our profile would be incomplete due to information gaps, but, at least, the model assisted us in featuring those gaps and providing goals for future information collections in both government and private surveys.

II. Information Sources Available for Estimating the Size and Dimensions of the Independent Sector

Various public and private sources are used in estimating the size and scope of the independent sector. The overall dimensions were defined as employment (both paid and volunteer), wages and salaries, number of institutions and national income originating from this sector. Other dimensions involved developing a chart of accounts including the total sources of support for the sector and the total uses of support. Finally, these accounts were further broken down to view the dimensions of each subsector--health services; education and research; religious organizations; social services; civic, social and fraternal organizations; arts and culture; foundations and international activities; and legal services--within the independent sector.

Employment and Wages and Salaries

In developing our estimates for the sector, we found that the most reliable base for estimating the size of this sector from available research and government surveys was to start with employment, wages and salaries which comprise over 50 percent of the expenditures of nonprofit organizations.

Based upon the 1983 study on employment conducted by Gabriel Rudney and Murray Weitzman and sponsored by the Program on Non-Profit Organizations at Yale University,[2] we were able to construct an employment series for the independent sector.

Gabriel Rudney and Murray Weitzman targeted 29 Standard Industrial Classification (*SIC*) industries located in the services producing segment of the private sector (as distinguished from the goods producing) industries containing nonprofit entities. There are undoubtedly independent sector organizations in other *SIC* industries that were not included in the study. For

Table 1

Some Selected Comparisons, Census of Service Industries (CSI) and Rudney-Weitzman (R-W), Employment Estimates: 1982 and 1977
(in thousands)

		1982			1977		
		R-W (1)	CSI (1)	Percent (3) (1) - (2) x 100	R-W (1)	CSI (2)	Percent (3) (1) - (2) x 100
SIC*	Total	1,928.2	1,867.9	103.2%	1,515.4	1,427.6	106.2%
805, 8, 9	Selected health services	459.1	476.2	96.4	337.6	333.0	101.4
805	Nursing and personal care facilities	255.5	283.2	90.2	206.4	201.8	102.3
83	Social services	959.2	903.9	105.3	702.8	676.5	103.9
832	Individual family services	220.7	244.0	90.4	112.4	167.4	67.1
835	Child day-care services	163.2	135.3	120.7	141.3	102.4	137.9
864	Civic, social and fraternal organizations	301.6	295.8	102.0	305.4	255.9	119.4

*Standard Industrial Classification

example, animal humane societies are in the category (*SIC* 869) membership organizations, not elsewhere classified; and, undoubtedly, there are independent sector organizations in manufacturing (printing and publishing) retail trade (Goodwill industry shops, etc.). As data become available employment in such industries should not be overlooked in trying for complete coverage of the independent sector. Of the 29 identified industries with a not-for-profit presence, nine of them using the terminology in the Rudney-Weitzman study were not considered as part of Dimensions for the purposes of measuring the independent sector. These employment estimates from 1972 to 1982 were then compared to the 1982 Census of Service Industries (*CSI*) or estimates in areas of agreement as shown on Table 1.

From 1977 to 1982, *CSI* recorded a 30.8 percent increase in sectors that are part of the independent sector and were included in both censuses. For Rudney-Weitzman, the increase was 27.2 percent. For social services which account for about 50 percent of total employment, Rudney-Weitzman estimated a 36.5 percent increase between 1977 and 1982 compared with 33.6 percent for the censuses. Within the social services area, there were offsetting movements leading to a relatively satisfactory outcome for the major group. For example, for child day-care services Rudney-Weitzman estimated a 15.5 percent increase in the independent sector component between 1977 and 1982 compared with 32.1 percent for the Census. On the other hand, for individual family services Rudney-Weitzman had a 96.4 percent increase and Census had but 45.8 percent.

Social services are an important component of the independent sector, but it has been a particularly difficult sector to estimate because of considerable variation in the composition of social services components between the U.S. Bureau of Labor Statistics (*BLS*) and that of the Census. The estimation procedure used to estimate independent sector employment for social services component appears adequate as long as the proportions between the profit- and not-for-profit sectors change very little. Accordingly, the Non-Profit Sector Project at the Urban Institute is helping to fill the information gap in social services, particularly their finances.

One hopeful sign for filling in the gap on employment is that in the preliminary content test for the 1990 Census, the question on employment has been expanded to include nonprofit organizations. Previously, Americans were asked whether they worked for a public or private agency or organization. In the preliminary content test for the 1990 Census, Americans will be asked whether they work for a public, a for-profit, or a nonprofit agency or organization. If this question is retained on the 1990 Census, for the first time, total employment in the nonprofit sector will become available.

Another limitation in examining the nonprofit sector is the *SIC* itself which does not show the diversity of the independent sector. For example, nearly half of the social services organizations are coded under "not elsewhere classified." In 1984, the National Center for Charitable Statistics (*NCCS*) launched a project to develop a national classification system for the independent sector. This classification is being tested in California, New Jersey, and Oregon. It also will be used by the Statistics of Income Division (*SOI*) of the Internal Revenue Service (*IRS*) to classify its national samples of foundations and nonprofit charitable organizations. Should this system be more effective than currently employed, efforts will be made to participate in the major revisions of the *SOI* code planned to go into effect in the early 1990's.

The *CSI* conducted every five years by the U.S. Bureau of the Census is another base source of information for the sector. However, as will be discussed in the section under gaps, *CSI* eliminated education, hospitals, and other groups from the 1982 Census. Between censuses, employment, and wages and salaries are updated by using the *BLS* series pertaining to employees on nonagricultural payrolls by industry which is collected monthly, and the employment and wages and salaries estimated from the *BLS* Employment Security 202 Programs associated with unemployment insurance activities. Where *BLS* data are lacking in detail, data are used from the County Business Patterns series produced by the Bureau of the Census, although a drawback of this data is the time lag between the time of collection and the time of publication.

Once employment is established, data are used from the Income Accounts prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce to prepare estimates of compensation of employees that include fringe benefits and to relate the independent sector to the rest of the U.S. economy.

Finally, volunteer time represents about two-thirds of paid employment or about 40 percent of total employment in the independent sector. The 1981 Gallup Survey on Americans Volunteer commissioned by INDEPENDENT SECTOR (*IS*) was used to estimate the number of hours volunteered, the number of full-time employee equivalents that those volunteers represented, and the value of volunteer time.

Although we estimated the number and hours for the total independent sector for 1980, we were not able to provide estimates of the number and value of volunteer time by subsector. In 1985, the Gallup Survey on Volunteers was replicated and expanded to redress some of the gaps in the earlier survey. While maintaining the broad outlines of the earlier survey, respondents were asked more detail about their specific activities and the type of organization--nonprofit, for-profit, or government--that they worked for. With the encouraging findings from this survey, we will be able to estimate more accurately the value of volunteer time for each sector of the economy, and the number of hours and the value of volunteer time for each subsector of the independent sector. These estimates allow us to estimate an addition to the current National Income Accounts of the value of contributed time of volunteers.

Another area to determine size of the independent sector is to estimate the number of institutions in the sector. Besides *CSI* which only include organizations that have at least one paid employee, *IRS* has two major data bases. One is the cumulative master file of the tax-exempt organizations, and the other is the file including organizations which are required by law to submit the 990 tax form for tax-exempt organizations. One problem with estimating the total number of tax-exempt organizations is that organizations with less than $$25,000 in revenues do not have to file. Another problem is that *IRS* only rarely weeds the cumulative master file of organizations that have gone out of existence. Estimates of the numbers of nonprofit organizations which do not have to apply for tax-exemption range from a few hundred thousand to several million. Although these organizations do not significantly change the overall financial estimates of the sector, not counting them greatly understates the activities of this sector. Without accurate record keeping, estimating the growth or decline of the sector in terms of numbers of institutions is very difficult.

Religious institutions do not have to file for tax-exemption. Although some do, blanket exemptions can be given to cover all churches of a single denomination. This also is true for other nonprofits such as the Boy Scouts who can file one exemption to cover several thousand Boy Scout organizations. In Dimensions, we relied on the Yearbook of American and Canadian Churches published annually by the National Council of the Churches of Christ in the U.S.A. and other surveys to account for the number of churches. We reported the *IRS* numbers on tax-exempt organizations, but also tried to double check these numbers against *CSI* and organizations reported in County Business Patterns.

For the development of the finances of the sector, we used a combination of sources including the American Association of Fund-Raising Counsel for total giving, the Conference Board for corporate contributions, the Council for Financial Aid to Education and the National Center for Education Statistics for education statistics, the American Hospital Association for hospital statistics and the Census of Service Industries. Financial information was built where possible from these various industry surveys by *SIC* code utilizing estimates from *CSI, BLS* and National Income Accounts. For human services, data from the Nonprofit Sector Project of the Urban Institute were used. Basically, our accounts included estimates for compensation of employees (wages and salaries and fringe benefits), endowments and other expenditures.

In 1983-84, *SOI* started a program to collect annual samples of private foundations and tax-exempt organizations. The last *SOI* samples were collected and analyzed in 1974-75. These *SOI* samples go through rigorous verification of information from organizations and foundations and can provide an accurate trendline on the financial condition of foundations and tax-exempt organizations over time. These samples also provide the first information on assets of the independent sector, exclusive of religious institutions, since 1975.

During 1984, *NCCS* protested the inaccurate coding of information for the tax-exempt organization file of all organizations filing the 990 or 990PF forms. After *SOI* conducted a study of the coding of forms for the 990 file and found massive error rates, *IRS* agreed to change and correct its current system. Until this new system is in place, master tapes will not be available for public use until the end of 1987 or 1988.

During this same period, *SOI* received a notice of a 25 percent budget cut. Since many of its studies are mandated by legislation, the series up for cancellation were the tax-exempt organizations and foundation samples. In order to offset a total lack of information on the independent sector for two or three years, *NCCS*, a recently incorporated program of *IS*, entered into a partnership with *SOI* and raised enough money from private donors to save these samples for two years. During these two years, *NCCS* and *IS* will work to get these samples mandated into legislation as are statistics from individual tax returns, corporate tax returns, and a host of other studies.

Because these *SOI* samples exist, in the second edition of Dimensions, we will be able to have another check on the total sources and uses of funds for the sector. Furthermore, we will be able to estimate the assets of the sector. Since these samples will be continued annually, at least for the next two years, for the first time, we will have some longitudinal financial data on nonprofit, charitable organizations. Such data over time, other than for religious institutions, will allow for more accurate estimates of the size, scope and financial trends of this sector.

From all of these sources we were able to build a balance sheet for the sector estimating the total sources of support from dues and charges, private contributions, endowments, other income, government support and volunteer time. On the expenditures side, we derived estimates for the costs of labor and other expenditures. From the new *SOI* samples, we can now estimate total expenditures for wages and salaries, administrative costs, fundraising costs, program expenditures, and other operating expenditures which will give us a much better view of the operations of this sector.

Two areas of sources of support are receiving more attention--individual giving and the level of support from government to nonprofits. A recent survey by Yankelovich, Skelly and White on the charitable behavior of Americans was commissioned by the Rockefeller Brothers Fund. This study looks at both how much Americans give and why they give. It is the first such study completed since the Surveys on Philanthropy conducted in 1974 by the Michigan Survey Institute for the Filer Commission. Such surveys, if conducted every two years, will allow us to measure the size of giving, motivations for giving and to what organizations gifts are given. It also will allow organizations like the American Association of Fund-Raising Council to more precisely determine the amount of contributions given to each major area. These surveys also are helpful in developing more precise estimates on private contributions for Dimensions. The matching of these surveys on giving with the institutional data in the *SOI* samples will provide us with another check about both the distribution and use of contributions by nonprofit organizations.

As part of the Nonprofit Sector Project, Lester Salamon and colleagues at the Urban Institute have traced the amount of federal funding going to the nonprofit sector over a period of years. This information which is updated each year provides rich trendline information on federal funding to nonprofit organizations by subsector. This research is used in estimating government funding to the nonprofit sector in Dimensions. Salamon's research is particularly valuable in the social services area where detailed information on these organizations is available only every five years through *CSI*.

III. Gaps in Information That Still Exist

A tremendous amount of progress in data collection has occurred since the first publication of Dimensions in 1984 as discussed above. However, many gaps in information still exist; some of these gaps can be addressed by slightly revising current federal collections. Other gaps call for new collections of information.

Employment data for nonprofit organizations could be produced routinely by utilizing the Treasury Form 941 for income withholding and payments for the social security programs.[3] Since all nonprofit organizations beginning in 1984 are required to cover their employees under the social security program, the gaps in coverage of nonprofit organizations in different sectors have been closed. Employment data could be reported regularly on the independent sector by matching the employer identification number from Form 941 with the organizations on the master file of tax-exempt organizations. Further merging of employment data could be accomplished by joining the employment data with the 990 tax forms for tax-exempt organizations. If these changes were implemented, profiles of tax-exempt organizations by subsector could be made available on a routine basis, and greatly enrich the amount of information available to researchers.

Although *IRS* collects the 990 tax forms from nonprofits who have more than $25,000 in revenue, it only reports total assets and revenues. An effort needs to be made to increase this reporting to include the total sources of revenue and expenditures by line item. This information merged with employment data would begin to provide some universal financial data on nonprofit organizations.

In addition to employment by organization, there is a need for a series of both the personal characteristics and occupations of people employed in the independent sector. Such series could be readily accomplished if *BLS* and Bureau of the Census agree to carry a code for nonprofit, rather than simply private and public in the Current Population Survey and other surveys. Such information would allow us to monitor the percentage of professional, managerial and nonprofessional jobs provided by the independent sector. These occupations coupled with a series for occupations of volunteers would allow for a better description of the functions and activities provided by this sector.

A new volunteer survey in 1985 conducted by the Gallup Organization and commissioned by *IS* will provide more detail on volunteers and their occupations. However, the 1990 Census ought to include one general question on volunteers. Simply by asking all Americans whether they did volunteer work would provide universe data by the nation, by state and by community. Currently, only unemployed household members will be asked if they volunteer. The very way the question is asked assumes that only persons who live at home and do not work volunteer, when, by far, most volunteer work is done by persons in the paid labor force.

More research is needed on all forms of corporate contributions. Research conducted by the Conference Board on forms of corporate assistance other than money and donations of equipment and products ought to be expanded. National surveys on corporate contributions beyond the top five hundred corporations ought to be carried out on a regular basis. Furthermore, a survey of the size, scope and type of corporate contributions beyond those reported on corporate tax returns as contributions needs to be done to better estimate the scope of corporate activity in the nonprofit sector. Until such studies are conducted, corporate contributions and corporate activity in the sector will remain understated.

There are several industry studies that are needed to fully describe the independent sector where regular data is not collected at all. One such study is a survey of the finances and activities of religious institutions. The last such survey was conducted in 1972 for the Filer Commission. Initial meetings with religious leaders and planning for such a survey are currently underway at *IS*. Should the religious community agree to co-sponsor such an updated survey, it could take place in late 1986 or early 1987. This information along with the *SOI*, and information on social services organizations through the Nonprofit Sector Project at the Urban Institute would provide the first baseline information on the finances and activities of this sector. Other subsectors that need more regular industry studies are arts and cultural organizations and organizations involved in international activities.

Finally, as some of these ground-breaking surveys are completed, an evaluation needs to be made on the kinds of information that need to be collected for this sector on a regular basis, how often different kinds of information need to be collected, and what new information needs to be collected in order to adequately describe this sector. As a more precise description of this sector becomes available, we need to explore what major national accounts need to be revised, such as the National Income Accounts, to fully account for the activities of the independent sector of American society. Toward the end of 1986, IS plans to convene a group of scholars to address these issues and to develop a long-range agenda for the collection of critical information needed on the sector by both federal agencies and private organizations. Such a report will provide a long-range agenda to put in place a more permanent information base to adequately chart and describe this sector in the decades ahead.

Notes

[1] Hodgkinson, Virginia Ann and Weitzman, Murray S. *Dimensions of the Independent Sector: A Statistical Profile*. Washington, D.C.: INDEPENDENT SECTOR, 1984.

[2] Gabriel Rudney and Murray Weitzman, "Significance of Employment and Earnings Trends in the Philanthropic Sector, 1972-1982," *Working Papers 77*, Program on Non-Profit Organizations, Yale University, 1983.

[3] Murray Weitzman, "Federal Statistical Data Sources and the Program for the National Center for Charitable Statistics," January 1984.

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A SURVEY OF NONPROFIT CHARITABLE ORGANIZATIONS

by
Laura M. Heuchan

Prepared for
Size, Scope and Dimensions
of the Independent Sector Panel
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INTRODUCTION

Purpose and Structure

The data discussed in this paper reflect the first year of the nonprofit charitable organizations longitudinal study undertaken by the Statistics of Income (SOI) Division of the Internal Revenue Service [1]. This paper will briefly review the characteristics of the sector as defined by the Internal Revenue Code and will discuss a simple theory relating to the existence of these private suppliers of philanthropy. Highlights of the 1982 data will be presented. The nature of the presentation is that of an overview of nonprofit charitable organizations, especially as they differ from public and for-profit entities. This overview is reflective of only a small portion of the theoretical work done in the nonprofit organization area.

Estimation of Size and Scope: An Unknown Universe

Nonprofit charitable organizations are a subset of all tax exempt organizations and, further, the sample data presented here estimate the universe of only those organizations required to file a return with the IRS. In order to identify the true size of the charitable sector, it is necessary to first define the population and to realize the limitations of a given data set. The organizations not required to file returns represent a sizable portion of all charitable organizations. Especially important to this are religious entities and the almost 200,000 organizations recognized as having a charitable status yet not reflected in the SOI statistics because their receipts are not normally over $25,000 [2]. Additionally, it is difficult to ess the scope of the sector without specific activity information on the vidual organizations. At present, IRS sample data do not contain activity orting.

Due to the limitations discussed above, IRS data, alone, is not sufficient for purposes of analyzing the nonprofit charitable sector. Consequently, the statistical community, governmental and private, must engage in a cooperative effort to maximize coverage of the sector.

A comprehensive database that includes activity information would yield the best estimate of the size and scope of the nonprofit charitable sector. Size and scope are interrelated because as organizations respond to demand for charitable goods and services, the specific activities in which they are engaged will determine the size of the sector. As an example, as philanthropic organizations expand medical and educational services, the value of total revenue and expenses will rise sharply. This is due to the fact that labor intensive industries, during times of expansion, experience a more rapid increase in the cost of factors of production than do capital intensive manufacturing entities. Both the extent of demand for a specific charitable activity and the degree to which private philanthropy is suited to provide it will substantially affect the size of the sector.

Currently, SOI is processing the second year of a panel study of charitable organizations. This study provides coverage of required filers with respect to total assets of the population. The study will be conducted annually and will track the initial 1982 sample organizations while adjusting for births and deaths. Eventually, a time series data set will emerge that should prove to be of value to researchers. Resources permitting, other data sets may be constructed. One possibility would involve sampling those organizations filing Form 990T on which unrelated business income (UBI) is reported. Another would link the longitudinal data file to Form 941 data that contains charitable organizations employment data. It is possible that these files could be made available as public use files if proper disclosure avoidance techniques were developed.

More than being useful for macroeconomic purposes, the unweighted sample could yield useful data for microeconomic applications. Researchers could also use the IRS data sets in estimating the magnitude of the charitable sector in relation to other sectors of the economy. The data, in conjunction with data on the scope of charitable activities, would be relevant to theoretical work in the area of the nature of entry to and exit from the sector. Further, behavioral models of both the sector and of the individual organization could utilize these data.

Highlights of the 1982 Data

Nonprofit charitable organizations, in 1982, generated total revenues of $196.3 billion of which 21 percent was obtained from contributions, gifts and grants. ("Nonprofit charitable organizations" hereinafter refer to all organizations exempt under Internal Revenue Code (IRC) 501(c)(3), excluding private foundations.) Total expenditures were $181.2 billion with direct spending for charitable services accounting for 84 percent of total expenses. Fees for services (program service revenue) were collected that covered 82 percent of program expenses. Other sources of income, such as contributions and investment earnings, were utilized, in part, to supplement fees charged for program services. In 1982, of 264,890 organizations recognized by the Internal Revenue Service as nonprofit charities, there were only an estimated 75,738 required filers.

PROVISIONS OF IRC 501(c)(3)

Organizations, tax exempt under 501(c)(3), pursue diverse activities that further their exempt purpose. They exist as subsets of many sectors of the economy. IRC 501(c)(3) status is typically granted based on an entity being organized for purposes that are religious, charitable, scientific, testing for public safety, etc. Charitable meaning that the services provided by the organization are pro bono publicc (for the public benefit). The granting of exempt status is based solely on charitable purpose. Activities engaged in are restricted only in that they must be substantially related to the exempt purpose. There is also a stipulation that net earnings may not flow to a private shareholder or individual and there are restrictions on activities to influence legislation.

Numerous benefits accrue to organizations that obtain 501(c)(3) status. Among the inducements for seeking this classification are the exemption from Federal income tax on income earned while pursuing an exempt purpose, the exemption from most State and local income and real estate taxes, the selected exemption from excise taxes, and significantly reduced postage rates. The flow of private funds to these organizations is promoted by the statute that allows contributions to be deducted in calculating the taxable income of the donor. For instance, the 1982 law allowed up to 50 percent of an individual's adjusted gross income as a charitable deduction. Federal corporate, gift, fiduciary, and estate tax law also allow charitable contribution deductions.

ALTERNATIVE MEASUREMENTS AND DESCRIPTIONS OF THE NONPROFIT CHARITABLE SECTOR

A primary characteristic of the sector is the concentration of financial resources among a small number of organizations. A mere 6 percent of all nonprofit charitable organizations controlled 81 percent of total assets. An uneven distribution of resources across organizations was further evidenced by the concentration of 75 percent of revenues in 4 percent of the institutions. Additionally, 6 percent of the organizations were responsible for 74 percent of total expenditures. With respect to assets, revenue, and expenditures, the controlling organizations were in the top bracket and were predominantly educational institutions and health service providers as listed in Figures A and B. Any significant growth or shrinkage affecting the very large organizations would have had a pronounced affect on aggregate statistics. Other factors influencing the size of the sector are offered in subsequent sections of this paper.

Figure A

Top Ten 501(c)(3) Organizations Ranked by Total Assets, 1982

[Money amounts are in millions]

Name	Total Assets
Teachers Insurance and Annuity Association of America	$13,519
College Retirement Equities Fund	12,821
Harvard College	3,326
Yale University	1,836
Stanford University	1,727
Princeton University	1,415
Shriners Hospital for Crippled Children	1,273
University of Rochester	1,127
University of Chicago	1,068
Duke University	986

Figure B

Top Ten 501(c)(3) Organizations Ranked by Total Revenue, 1982

[Money amounts are in millions]

Name	Total Revenue
College Retirement Equities Fund	$4,631
Teachers Insurance and Annuity Association of America	3,351
Kaiser Foundation Health Plan	2,116
Harvard College	1,342
Kaiser Foundation Hospitals	1,123
University of Chicago	745
American National Red Cross	722
Sisters of Mercy Health Corporation	718
Massachusetts Institute of Technology	692
Stanford University	664

Prior to evaluating various techniques of measuring the nonprofit charitable sector, it is helpful to briefly review the concept of philanthropy as provided in the United States economy. The supply of, and demand for, philanthropic goods and services is usually discussed in terms of incentives or motives that influence giving as well as the purpose of the giving. It is generally accepted that at least one component in philanthropic giving is that of altruism and that the purpose of philanthropy is that of the provision of some collective or public good [3]. In this context, altruism exists when there is not an expectation of an immediate quid pro quo (one thing in return for another) to the individual giver. The providers of philanthropic goods and services include all three sectors of the economy: the business sector, the government and the nonprofit sector.

The sector as evaluated here is defined in terms of the Internal Revenue Code (IRC). The IRC divides nonprofit organizations into twenty-three groups, three of which may receive tax-deductible charitable donations. Two of these classifications are the primary private suppliers of philanthropy. They are those organizations exempt from income tax under IRC 501(c)(3) and 501(c)(4). The data described here are a further subset in that they reflect financial aggregates of all 501(c)(3) charitable organizations, excluding private foundations. For 1975, when all nonprofit organizations were measured, 501(c)(3) organizations (excluding private foundations) represented 37 percent of the total. (In general, private foundations act as conduits for philanthropic funds, whereas nonprofit charitable organizations actually provide the charitable goods and services.)

Charitable organizations that file on Form 990 are diverse in scale of financial activity as well as in scope of purpose. They include hospitals, universities, research institutes, art museums and other charitable organizations. While the estimates presented here do not include most religious organizations or those organizations not required to file, they do provide coverage of the greatest part of charitable activity with respect to asset holdings and revenue flows.

Measurement of the size and scope of total philanthropic activity is difficult due to the lack of a comprehensive data source. The sector's size as defined by the 1982 database can be perceived as a gross figure or as a ratio to other economic activity measurements. Comparisons can be made by analyzing the performance of the charitable sector as a ratio to other figures such as gross national product (GNP), the for-profit sector growth rate, government spending for philanthropic purposes, and per capita income.

Figure C.--Nonprofit Charitable Organizations, 1982: Alternative Measures.

[Money amounts are in billions of dollars]

Type of Measure	1982
Total revenue (in 1972 constant dollars)	$94.9
Total assets (in 1972 constant dollars)	135.1
Total expenditures (in 1972 constant dollars)	87.6
Total revenue divided by GNP	6.3%
Total assets divided by GNP	9.1%
Total expenditures divided by GNP	5.9%
Total revenues per capita divided by per capita income	9.0%
Total assets per capita divided by per capita income	12.8%
Total expenditures per capita divided by per capita income	8.3%
Total revenue divided by revenue of business entities	2.5%
Total assets divided by assets of business entities	3.0%
Total expenditures divided by expenditures of business entities	2.0%

Note: Revenue, assets and expenditures were converted into 1972 dollars using the GNP price deflator. Per capita income is equal to GNP divided by U.S. population. Business entities include corporations, nonfarm partnerships and sole proprietorships [4].

Source: Business entity data are from U.S. Treasury, Internal Revenue Service, Statistics of Income Division, published and unpublished tables. GNP price deflator is from U.S. Bureau of the Census, Statistical Abstract of the United States: 1985 (105th edition.) Washington, DC, 1984, p. 468. U.S. population data is from U.S. Bureau of the Census, Statistical Abstract of the United States: 1985 (105th edition.) Washington, DC, 1984, p. 11.

As a proportion of GNP and per capita income, assets assume a larger share than either revenue or expenses. This is probably due to the fact that the largest charitable organizations are hospitals, with large investment in plant and equipment and schools that have extensive holdings of buildings and land in addition to endowment funds. It should be noted that total revenue for charitable organizations involves some double-counting since charitable organizations transfer funds to affiliates.

HISTORICAL TRENDS AND PERCEPTION OF CHARITABLE ACTIVITY UP TO 1982

Government fiscal policy toward philanthropy represents public sentiment as expressed through the legislative process. The growth of the sector could be, in part, a response to favorable legislation.

Traditionally, from the earliest days of this country, religious and educational institutions have been exempt from property taxation. When Federal income tax laws were adopted in 1894 (subsequently declared unconstitutional in 1895), organizations pursuing charitable, religious or educational purposes were granted exempt status. The Sixteenth Amendment to the Constitution allowed the first constitutional income tax law in 1913 and contained the rudiments of IRC 501(c)(3).

The provision for an income tax deduction for charitable contributions by individuals was initiated in 1917 and estate tax deductions for bequests to charitable organizations were authorized in 1919. Charitable deductions for corporations were allowed beginning in 1935. Aside from the development in 1950 of tax policy regarding charitable organizations engaged in business activities, the thrust of legislation aimed at exempt organizations has generally been to encourage their development.

Charitable organizations receive direct and indirect subsidies from government. Direct governmental grants received in 1982 were 19.1 billion or 46 percent of total contributions. This illustrates the tradition of partnership between government and nonprofit organizations in supplying public goods and services [5]. Indirect subsidies come both in the form of exemption from various taxes and the "tax expenditure" for the deduction of contributions from income taxed to the donor [6]. Tax expenditures exist that benefit individuals and corporate entities as well as nonprofit organizations (i.e.

deductibility of home mortgage interest expense). Tax expenditures are expressed in terms of outlay equivalent or the amount required to produce the equivalent of the benefits obtained from the tax expenditure and in terms of the revenue loss to the government [7]. See Figure D below for detail of the tax expenditure for the deductibility of charitable contributions in 1982. Figure E, with details of contributions as reported on tax returns for 1982, follows for the purpose of presenting a distribution of the source of the tax expenditures.

Figure D.--Tax Expenditures for Deduction of Charitable Contributions, 1982 1/ [8].

[Money amounts are in millions of dollars]

Type of Deduction	Outlay Equivalent	Revenue Loss
Deductibility of charitable contributions (education)	$ 830	$ 835
Deductibility of charitable contributions (health)	1,240	1,245
Deductibility of charitable contributions (other than education and health)	7,550	7,595

1/ Includes contributions to organizations exempt under IRC 501(c)(3), and 501(c)(4) as well as to religious organizations.

Source: Executive Office of the President, Office of Management and Budget, Special Analyses, Budget of the United States Government, FY 1984, p. G-27 and p. G-32.

Figure E.--Charitable Contributions as Reported on Tax Returns, 1982.

[Money amounts are in millions of dollars]

Source of Contribution	Number of Returns	Amount
Total	100,364,300	$48,051
Individual	95,337,432	36,761
Corporate	2,925,933	2,906
Estate bequests	63,251	2,545
Fiduciary	2,009,216	1,416
Private foundations 1/	28,468	4,423
Gift	2/	2/

1/ The inclusion of this figure in total contributions may yield double counting since individual, corporate, estate and fiduciary giving may include gifts to Private Foundations.

2/ Not available.

Source: U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income Division, published and unpublished tables.

Contributions from the public, as reported on nonprofit charitable organization returns, reflected only 46 percent of total contributions shown in Figure E. The remainder of these contributions would have been directed toward organizations not required to file Forms 990. It should be noted that the IRC does not recognize the value of volunteer services as a non-cash contribution for deduction purposes nor is the value reported as revenue on the returns filed by charitable organizations. Nonetheless, volunteer services constitute an important part of total donations.

DESCRIPTION OF NONPROFIT CHARITABLE ORGANIZATION ACTIVITY

In order to explain the existence of the non-profit charitable sector, it is necessary to determine what inducements exist for the formation and continued operation of the organizations that form the sector. The private sector is comprised of firms seeking to maximize their profits. They accomplish this by attempting to satisfy consumer desires through the mechanism of the market. Alternately, the level of government provision of public goods is primarily determined by a majority vote. The government, due to a lack of information about specific consumer preferences, must use a non-benefit based system of taxation for the provision of public goods. A non-benefit based taxation system is necessary because it is not possible to equate taxes paid by an individual to the benefits received by that individual from public goods and services [9]. One explanation for the existence of the nonprofit charitable sector lies in the possibility that demand for public goods is not completely revealed by a majority vote and therefore not supplied by the government [10]. Private nonprofit organizations could form to meet this unsatisfied demand. Also, there will be an overlapping provision of public goods by government and by nonprofits with the private sector offering private good substitutes for public goods.

The degree of output by nonprofit charitable organizations could be primarily determined by the following variable sets: (1) the extent of the undersupply of public goods relative to the allocation by a majority vote using a non-benefit based taxation system; (2) the degree of responsiveness of government institutions to changes in quantities of public goods as mandated by a majority vote; (3) the suitability of private good substitutes for public goods; and (4) the price of philanthropy both to the donor and to the government in terms of a tax expenditure.

There is no standard theory of behavior for nonprofit charitable firms analogous to the profit maximization behavior of private firms [11]. This is partly due to the wide mix of organizations in the sector which have different philanthropic objectives and the difficulties in measuring both charitable output and returns on investment in philanthropy. In general, it could be assumed that nonprofit charitable entities are attempting to maximize the furtherance of their charitable purpose.

The nonprofit charitable sector as a whole shows even more variation in terms of primary revenue source as the total value of assets increases. As seen in Figure F, the reliance of organizations on contributions for revenue varies inversely with an increase in total assets. A stronger reliance on program service fees for a major portion of revenue emerges as assets increase. Those with assets under $100,000 rely on contributions for 68 percent of revenue and on fees charged for 7 percent, while those entities with assets $50,000,000 or over depend on contributions for 13 percent of revenue and on program service revenue for 68 percent.

Figure F

Components of Revenue, by Asset Size, 1982

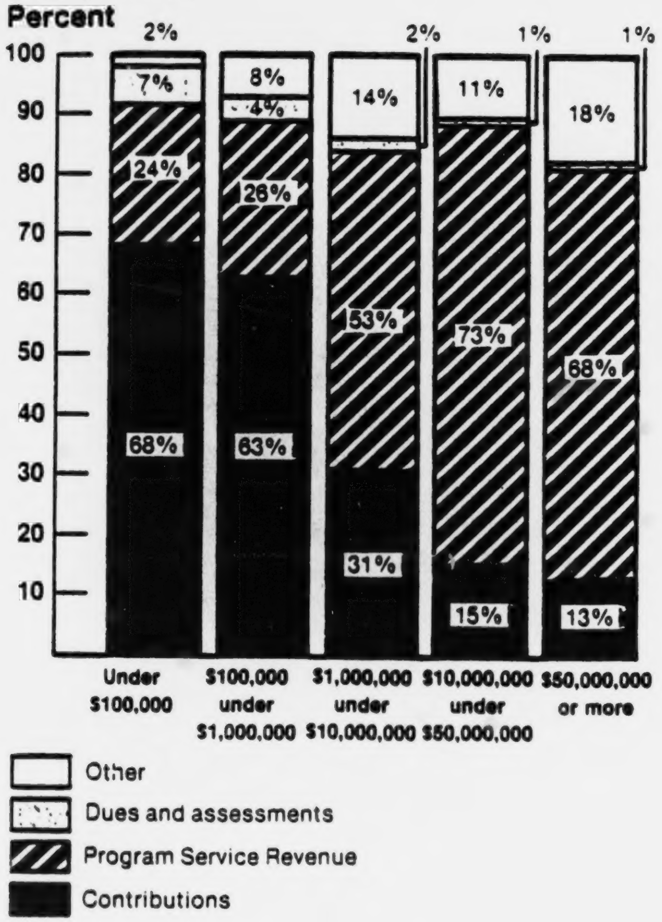

Figure G.--Nonprofit Charitable Organizations, Excluding Private Foundations: Balance Sheet and Income Statement Items, by Type of Organization.

[All figures are estimates based on samples--money amounts are in millions of dollars].

Type of Organization 1/	Number of Returns	Total Assets	Total Liabilities	Total Revenue	Total Expenses
Total	75,733	$279,632	$116,771	$196,300	$181,294
Church 2/	2,022	2,837	915	1,517	1,255
School	8,335	73,524	13,685	35,224	29,843
Hospital	5,021	93,839	45,797	91,855	87,278
Governmental unit	701	1,182	443	1,242	1,201
Hospital research	546	1,296	229	560	523
Public college benefactor	1,057	3,400	338	1,860	1,343
Publicly supported organization	50,738	56,737	22,812	45,620	43,042
Organization supporting charitable organizations	4,893	42,418	30,764	15,586	14,267
Organization testing for public safety	1	104	13	93	85
Not reported	2,419	4,295	1,775	2,743	2,457

1/ This classification was derived from Schedule A (Form 990), Part IV, entitled "Reason for Non-Private Foundation Status".

2/ Churches are not required to file a Form 990. Most of the organizations in this category should have classified themselves as a publicly supported organization.

Figure H--Nonprofit Charitable Organizations, Frequency Distribution of Organizations among Asset Classes, by Type of Organization, 1982.

[All figures are estimates based on samples.]

Type of Organization 1/	Under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
Church 2/	960	480	102	436	35	6
School	3,364	1,922	717	1,331	754	245
Hospital	480	961	102	1,547	1,408	521
Governmental unit	480	--	--	204	12	3
Hospital research	--	480	--	43	18	4
Public college benefactor	--	480	307	215	42	11
Publicly supported organization	22,593	15,863	4,097	7,338	726	118
Organization supporting charitable organizations	960	1,922	512	1,245	208	43
Organization testing for public safety	--	--	--	--	--	1
Not reported	960	961	204	231	44	15

1/ This classification was derived from Schedule A (Form 990), Part IV, entitled Reason for Non-Private Foundation Status.

2/ Churches are not required to file a Form 990. Most of the organizations in this category should have classified themselves as a publicly supported organization.

Figures G and H display the only information available from exempt organization returns on the type of organizations that are filing. It is derived from the section of the return in which an organization must supply a reason for not being classified in the less favored category of Private Foundation [12]. The distribution of the population is heavily weighted toward the publicly supported organizations, whereas the concentration of assets is in the schools and hospitals.

Both the composition of assets and the major source of revenue of hospitals and schools (the only activities readily identifiable from information on the Form 990 exempt organization return) are dissimilar as evidenced in Figure I. Hospitals have a large capital investment in land, building and equipment followed by receivables and inventories as the top components of assets. Schools hold fewer assets in land, buildings and equipment than hospitals, and schools' assets are heavily concentrated in investments. Schools rely on contributions, gifts and grants for 25 percent of revenue while for hospitals it is only 3 percent.

Education and health services are good examples of industries that are represented in the private business sector, the government and in the nonprofit charitable sector. While there certainly is overlap, in general ,the for-profits target a different market than the nonprofits and the government providers. Earnings of nonprofits are used for provision of medical services as opposed to for-profits who may distribute their earnings to individual investors. Nonprofit hospitals generally offer a wider range of services than a for-profit hospital and the services offered are more public in nature [13]. It is possible that nonprofit hospitals serve more of the uninsured and low-income segment of the population.

Differences in accounting standards for non-profit and for-profit entities highlight the difficulty in evaluating the nonprofit sector. In exchange for the privilege of tax exemption, charitable organizations forfeit the privilege of paying dividends on invested capital. The distribution of earnings to individual investors is the impetus behind the formation of business entities. The non-distributional constraint placed on nonprofit organizations is what defines a nonprofit organization as opposed to a for-profit entity. The balance sheet of a nonprofit charitable organization does not have an owner's equity section; earnings will accrue instead to the fund balance/net worth section.

The accounting systems of many nonprofit organizations are unique in that it is necessary to keep separate records of groups of resources and their subsequent use because they have specified purposes and restrictions. This need leads to the use of fund accounting where funds are restricted (The directors have limited control over specific use due to donor instructions.) and unrestricted. Nonexpendable (capital funds that can't be used for operating costs) and expendable funds represent another classification of resources. Additionally, the asset composition of many hospitals and schools includes

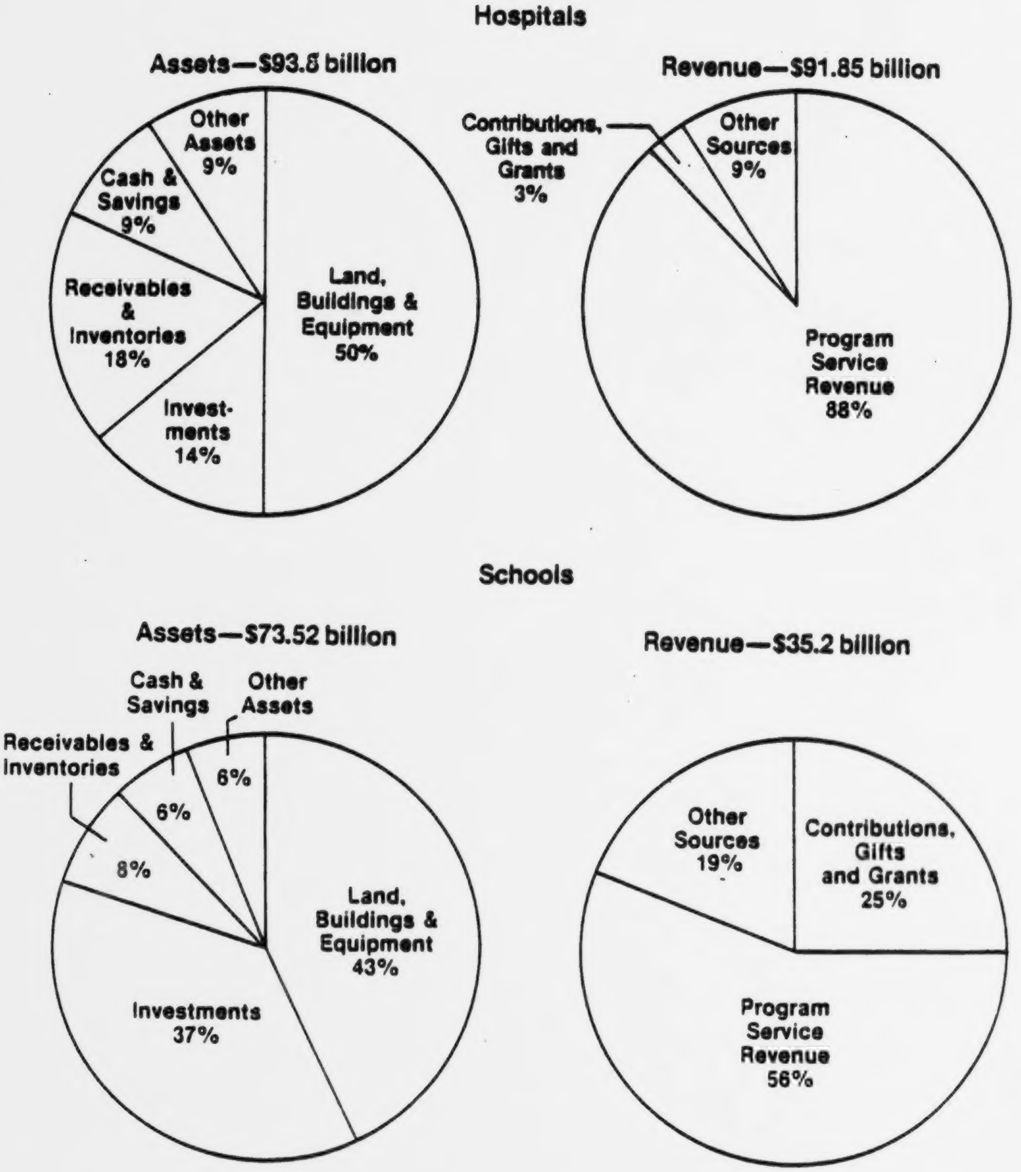

Figure I

Composition of Assets & Revenue Sources, By Organization Type, 1982

endowment funds that provide income for the organization, yet the principal is not available for use [14]. The illiquidity of these types of funds hampers the exempt organization's financial management in quickly adapting to changing economic conditions.

However, the most important difference between the concept of exempt organization performance and that of for-profit entities centers on measurement of efficiency. Effectiveness in pursuing an exempt purpose can't be expressed in net profit or return on investment figures. Traditional financial ratios are difficult to calculate and interpret.

DATA SOURCE AND LIMITATIONS

Sample Design

The database used for this article was constructed by the Statistics of Income (SOI) Division by collecting data using the concept of a tax year as opposed to a processing year (see Appendix for a discussion of the concepts of a sampling year and a tax year). The relevant tax year is defined by accounting periods ending December 1982 through November 1983. Calendar year filers represented 45 percent of the population while 42 percent of the non-calendar year filers had accounting periods ending in June. The sample includes 219 group returns that might appear to be returns of high asset entities when the return actually represents an aggregate of many small organizations [15].

The sample size is 4,398 organizations. (Religious organizations are not required to file returns and are, therefore, not generally included in these data.) The estimates of nonprofit charitable organizations presented here are ed on a random probability sample of 1982 unaudited information returns orm 990) stratified by asset levels. The sample was selected on the basis of size of assets as well as on a computation of the Employer Identification Number (EIN). The 1982 filing requirement grants an exemption to entities with receipts of $25,000 or less; this was incorporated as a parameter for bypassing these organizations for sample selection. The allocation of sample to the resulting strata is approximately optimal for the purpose of estimating total assets or totals highly correlated with assets.

Limitations of the Data

The data presented in this article are subject to sampling and nonsampling error. The size of the sampling error is estimated by the approximate coefficients of variation in Figure J. Nonsampling error would stem primarily from interpretation of charitable organizations' entries on the Form 990 and the efficiency of the testing utilized in detecting inconsistencies in the data as well as the quality of the subsequent correction process. When a 1982 return was not available, 1981 returns were substituted as proxies.

Sampling rates range from 1.00 for organizations with $10 million or more in assets to .0021 for organizations with assets below $500,000. Additionally, the weighting of the data file had to be adjusted for non-response. (Some returns selected were not obtainable.) The low rate of sampling for lower asset organizations increases sampling variability for these strata. Consequently, a caveat must be issued as to the use of estimates for organizations with assets of $500,000 or less. The approximated coefficient of variation for each sampling rate is shown below. In addition, organizations with receipts that are normally not more than $25,000 (the average of the preceding three years for organizations three years or older) might not have filed a 1982 return even if their receipts were greater than $25,000 in 1982.

Figure J. - Approximate Coefficient of Variation for Number of Returns by Size of Assets.

Size of Assets			
Under $500,000 or Blank	$500,000 Under $2,500,000	$2,500,000 Under $10,000,000	Approximate Coefficient of Variation
50,100	11,300	5,500	0.05
35,600	7,900	3,700	0.08
28,100	6,200	2,800	0.10
16,200	3,500	1,600	0.15
10,200	2,200	950	0.20
6,900	1,500	650	0.25
5,000	1,050	450	0.30

APPENDIX: CHARITABLE GIVING

As a percent of total nonprofit charitable organization revenue, total contributions were 21 percent. The enactment of the Economic Recovery Tax Act of 1981 (ERTA) could have had a dampening effect on giving to these organizations. While it would require more research to validate or quantify ERTA's overall effect on contributions, it is possible to enumerate theoretical relationships between levels of giving and the cost of giving.

The cost of charitable giving for an individual can most simply be expressed as:

$$Cg = (1 - Tm),$$

where Cg is the cost of giving, and Tm is the marginal tax rate. One dollar of giving, less the donor's marginal rate of taxation (the percent of tax on the last dollar of income realized) yields the out-of-pocket cost of the gift. For example, an individual in the 70 percent tax bracket realizes a true cost of $30 when donating $100 since $70 dollars would have been paid as tax. Therefore, the cost of a charitable contribution is inversely related to the donor's marginal tax rate. If the marginal rate drops, the cost of donating increases. An individual facing an array of consumption choices experiences a change in the relative prices between expenditures on goods and services which are tax deductible versus those which are not tax deductible.

ERTA reduced average marginal tax rates as well as the maximum marginal rate (from 70 percent to 50 percent). The resultant increase in the cost of giving could have a substitution effect on an individual's willingness to contribute. Conversely, the lowering of tax rates could increase after-tax income levels (in the absence of a downturn in the business cycle or other negative changes in general economic conditions) and could produce a positive income effect that would operate to increase charitable giving. If the price elasticity of demand were large enough and outweighed the income elasticity, it is possible that this provision of ERTA negatively affected giving to nonprofit charitable organizations. (It should be noted that there could be a lagged substitution effect or lagged income effect where a transition period is needed to observe the final effect.) [16] [17].

ERTA also provided, for the first time, some deductibility of charitable donations for non-itemizers. This would appear to lower the cost of giving for this group to the extent of the limit of the maximum allowable deduction. Again, the overall dollar impact on exempt organizations' receipts is difficult to predict since a portion of the contributions of non-itemizers would not be a result of new behavior.

Estate tax return filings were affected by the changes of the Tax Reform Act of 1976 that progressively raised the gross value of the estate required to file to $175,000 from a level of $60,000 in 1975. Charitable bequests for those estates not required to file would have a higher cost than when the estates were taxed. ERTA's estate tax provisions affected charitable bequests of decedents in 1982 and thereafter. Exempt organizations' receipts could have been affected by this after 1982.

Notes

[1] The last SOI data set for exempt organizations was constructed for processing year 1975. For a discussion of the 1975 and 1982 data, see U.S. Treasury Department, Internal Revenue Service, Heuchan, 1986.

[2] Organizations with gross receipts over $25,000 are required to file. Some small organizations file blank returns in order to continue to appear in the IRS publication 78, Cumulative List of Organizations. These blank returns are not tabulated in the 1982 data set.

[3] The concept of altruism does not preclude the donor from receiving some benefit (i.e. recognition by the community, self-satisfaction); it merely indicates that the benefit is not immediately tangible.

[4] Data available for partnerships and sole proprietorships did not contain farm entities for every statistic. Therefore, for consistency in comparison, farm data were not used even where available. Also, assets are not available for sole proprietorships.

[5] "A commodity is called a 'public good' if its consumption by one person does not reduce the amount available for others or putting it another way, a good is 'public' if providing the good for anyone makes it possible to provide it for everyone, without additional cost. Public goods thus represent a particular type of beneficial externality. A private good (e.g. a banana) is used or consumed exclusively; a public good is (or may be) used concurrently by many economic agents." Hirshleifer, 1984, pp. 143-144.

[6] "Tax expenditure estimates measure the decrease in individual and corporate income tax liabilities that result from the provisions in income tax laws and regulations that provide economic incentives to the private sector or tax relief to particular kinds of taxpayers." ... "The term tax expenditure is derived from the assumption that the goals of these favorable tax provisions could be accomplished by replacing them with direct expenditure programs." U.S. Joint Committee on Taxation, 1985, p. 2.

[7] The difference between the cost of an outlay equivalent and the cost of a revenue loss is that a portion of an outlay would be in the form of transfer payments that would be taxable. Thus, because of the revenue gain, the outlay would generally cost less than the revenue loss of the tax expenditure.

[8] Due to the interdependence of tax expenditures, these estimates cannot be added together for a total outlay equivalent or a total revenue loss; instead, they must be considered independently. The term "interdependence of tax expenditures" refers to the fact that tax expenditures mutually affect marginal tax rates. The elimination of one exclusion from gross income could cause an increase in taxable income that would be taxed in a higher bracket thus increasing the revenue loss from other exclusions.

[9] Weisbrod, 1975, p. 175.

[10] Weiss, 1981, pp. 11-12.

[11] Newhouse, 1970, p. 64.

[12] Private foundations are subject to an excise tax on investment income and they are required to annually distribute a minimum amount of their investment assets. U.S., Treasury Department, Internal Revenue Service, Riley, 1985, p. 8.

[13] Weisbrod, 1977, pp. 77-81.

[14] Gross and Warshauer, 1983, pp. 11-39.

[15] A parent organization may file a return for affiliated organizations that are subject to the parent's control and are exempt under a current group exemption letter. All of the organizations on a group return must have the same accounting period.

[16] Vickrey, 1975, pp. 153-157.

[17] For empirical evidence that ERTA did not negatively affected charitable giving, see Bristol, 1985, pp. 323-326.

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Table 1.—Returns of Tax-Exempt 501(C)(3)¹ Organizations with Total Assets: Assets, Liabilities, Revenue and Expenses by Size of Total Assets, 1982

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Items	Total assets	Size of total assets						
		$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns of 501(C)(3) organizations	75,738	14,902	14,902	23,075	5,043	12,595	3,251	967
Total assets	279,638,066	163,682	359,003	4,520,081	4,256,804	43,533,995	74,000,495	151,993,712
Cash (Non-interest bearing):								
Number of returns	55,144	11,537	13,341	20,190	4,917	11,129	2,567	781
Amount	4,914,338	44,369	162,492	406,469	248,673	1,060,602	1,121,431	1,769,032
Savings and temporary cash investments:								
Number of returns	52,556	7,210	11,056	15,825	4,507	9,619	2,502	734
Amount	20,341,304	54,395	297,386	1,290,134	784,341	3,909,587	5,356,576	9,159,323
Accounts receivable (net):								
Number of returns	38,759	2,954	3,845	13,460	3,385	9,150	2,925	908
Amount	20,727,742	5,374	94,003	753,342	184,053	3,401,581	5,385,573	9,302,906
Pledges receivable (net):								
Number of returns	4,266	—	—	361	514	1,752	591	246
Amount	3,036,460	—	—	1,807	54,557	1,065,169	1,084,100	830,825
Grants receivable:								
Number of returns	5,036	361	1,442	1,442	514	1,302	375	197
Amount	1,565,344	3,164	34,850	151,681	128,987	511,233	268,489	462,527
Receivables due from officers, directors, trustees and key employees:								
Number of returns	1,795	480	—	480	—	509	159	58
Amount	129,003	799	—	3,113	—	12,465	43,648	57,977
Other notes and loans receivable (net):								
Number of returns	3,152	361	480	361	1,434	3,096	1,385	532
Amount	5,824,257	132	361	19,980	75,133	777,170	1,577,586	3,373,133
Inventories for sale or use:								
Number of returns	19,035	361	1,922	6,249	1,331	5,321	2,440	807
Amount	2,926,729	1,662	29,511	108,242	46,621	582,457	348,440	1,029,534
Prepaid expenses and deferred charges:								
Number of returns	23,932	1,442	3,365	6,730	2,046	7,144	2,267	775
Amount	1,360,943	2,207	9,229	75,329	27,252	325,674	536,669	384,581
Investments-securities:								
Number of returns	14,773	480	361	2,403	1,536	5,497	2,179	774
Amount	69,745,075	3,110	15,869	52,359	410,219	5,904,866	12,090,414	50,256,616
Investments-land, buildings and equipment (minus accumulated depreciation):								
Number of returns	6,320	361	981	1,442	409	1,598	517	229
Amount	6,039,610	4,970	23,106	242,959	123,087	1,300,421	1,577,957	2,767,406
Investment-other:								
Number of returns	4,803	480	—	1,322	717	1,395	1,202	485
Amount	17,970,993	1,586	—	34,695	91,246	1,075,062	3,106,308	13,602,094
Land, buildings, and equipment (minus accumulated depreciation):								
Number of returns	41,279	3,845	5,768	12,499	4,507	10,811	2,952	893
Amount	107,076,532	18,579	146,590	1,062,096	1,777,876	20,819,786	34,093,692	49,137,932
Other assets:								
Number of returns	32,739	3,845	3,945	10,395	4,200	7,365	2,584	302
Amount	17,579,328	16,772	23,361	252,211	214,735	1,708,737	5,003,489	10,359,100
Total liabilities	116,777,538	50,395	246,397	1,371,367	1,300,290	16,573,234	29,615,955	67,773,245
Accounts payable and accrued expenses:								
Number of returns	49,336	5,172	7,591	14,421	4,404	10,633	3,079	933
Amount	15,607,320	29,861	108,584	541,516	385,429	2,249,504	4,757,258	7,224,966
Grants payable:								
Number of returns	4,571	361	—	1,322	307	1,089	317	73
Amount	2,326,238	5,455	—	163,133	22,571	735,169	598,970	739,313
Support and revenue designated for future periods:								
Number of returns	11,200	361	1,322	4,225	514	3,731	511	152
Amount	3,414,470	469	17,228	144,750	94,274	392,635	1,091,121	1,353,959
Loan from officers, directors, trustees and key employees:								
Number of returns	2,143	—	480	1,442	—	172	40	[illegible]
Amount	278,609	—	3,249	29,564	—	87,593	125,458	32,745
Mortgages and other notes payable:								
Number of returns	24,249	1,442	3,365	6,730	2,151	7,414	2,275	[illegible]
Amount	51,845,471	7,349	26,323	635,331	509,223	9,990,152	16,340,787	24,275,391
Other liabilities:								
Number of returns	39,391	3,845	3,365	9,170	2,785	7,947	2,478	919
Amount	43,305,428	17,160	30,506	296,271	229,577	2,524,119	5,892,160	34,256,234
Total fund balances/net worth:								
Number of returns	75,583	14,302	14,302	23,075	5,040	12,450	3,245	963
Amount	162,860,529	102,686	512,305	2,546,814	2,936,423	26,954,701	45,484,529	84,220,466
Total liabilities and fund balances/networth:								
Number of returns	75,738	14,902	14,302	23,075	5,043	12,595	3,251	967
Amount	279,638,067	163,682	859,003	4,520,092	4,256,804	43,533,995	74,000,465	151,993,712
Total revenue	196,305,700	774,526	2,326,490	9,019,977	5,222,397	31,390,246	57,273,516	89,502,844
Total contributions	41,272,737	432,311	1,399,611	5,244,562	3,556,867	9,875,831	9,339,127	11,425,415
Contributions, gifts and grants received through direct public support:								
Number of returns	55,395	10,095	3,614	17,306	4,507	10,250	[illegible]	[illegible]
Amount	17,293,998	217,697	249,550	1,135,767	756,931	5,125,448	[illegible]	[illegible]
Contributions, gifts and grants received through indirect public support:								
Number of returns	10,361	480	1,922	5,229	1,536	3,305	[illegible]	[illegible]
Amount	4,798,250	5,970	13,630	542,951	224,225	1,122,242	[illegible]	[illegible]
Contributions, gifts and grants received through government grants:								
Number of returns	24,195	3,345	4,807	9,653	1,843	3,380	[illegible]	[illegible]
Amount	19,180,586	207,543	1,706,300	3,665,843	2,575,560	3,327,399	[illegible]	[illegible]

Footnote(s) at end of table.

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Table 1.—Returns of Tax-Exempt 501(C)(3)[1] Organizations with Total Assets: Assets, Liabilities, Revenue and Expenses by Size of Total Assets, 1982—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Items	Total assets	Size of total assets						
		$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Program service revenue:								
Number of returns	45,821	7,210	9,172	14,421	3,482	3,993	2,596	943
Amount	124,373,343	364,464	496,426	2,749,404	897,157	16,525,254	42,001,862	61,338,774
Membership dues and assessments:								
Number of returns	13,439	3,945	4,249	4,607	1,536	2,598	300	46
Amount	2,476,738	126,165	118,795	328,827	195,078	516,548	561,441	623,862
Interest on savings and temporary cash investments:								
Number of returns	55,146	7,591	11,056	18,267	5,019	9,851	2,522	737
Amount	3,371,305	5,383	34,367	140,636	115,330	918,652	985,270	1,472,205
Dividends and interest from securities:								
Number of returns	12,517	480	961	2,884	1,536	4,379	1,701	575
Amount	5,102,388	152	2,118	20,526	38,048	591,481	358,922	3,495,127
Gross rents:								
Number of returns	12,216	1,442	961	2,884	1,434	3,866	1,206	422
Amount	1,298,963	138,910	17,145	9,758	38,375	517,437	196,306	331,418
Rental expenses:								
Number of returns	5,695	961	480	1,442	409	1,488	652	251
Amount	781,032	33,802	2,481	3,358	83,440	286,578	114,411	190,357
Net rental income (loss):								
Number of returns	12,206	1,442	961	2,984	1,434	3,866	1,200	418
Amount	517,931	45,107	14,664	-589	5,534	230,858	91,995	140,460
Other investment income:								
Number of returns	2,266	480	—	—	102	1,175	350	157
Amount	996,394	168	—	—	1,094	71,849	106,860	816,422
Gross amount from sale of assets-securities:								
Number of returns	5,877	—	—	480	717	3,148	1,141	389
Amount	35,047,824	—	—	32,698	129,247	1,766,627	5,422,978	27,597,372
Cost or other basis and sales expenses-securities:								
Number of returns	5,627	—	—	480	717	3,062	1,022	345
Amount	32,374,860	—	—	32,229	126,704	1,642,258	5,059,299	25,514,358
Gain (loss)-securities:								
Number of returns	5,877	—	—	480	717	3,148	1,141	389
Amount	2,672,764	—	—	469	1,542	124,359	363,679	2,182,713
Gross amount from sale of other assets:								
Number of returns	6,172	480	480	961	919	2,194	998	337
Amount	1,258,098	158,754	937	417	29,736	218,657	235,839	613,756
Cost or other basis and sales expenses-other assets:								
Number of returns	3,976	480	480	—	512	1,439	590	273
Amount	1,027,033	431,819	467	—	10,052	84,097	140,481	360,114
Gain (loss)-other assets:								
Number of returns	6,823	480	961	961	919	2,340	921	339
Amount	231,065	-273,064	469	417	19,683	154,560	95,358	233,641
Total gain (loss) from sale of assets:								
Number of returns	11,022	480	961	961	1,536	4,751	1,729	592
Amount	2,903,830	-273,064	469	386	21,225	278,919	459,037	2,416,354
Gross revenue-special fundraising events:								
Number of returns	15,346	3,065	3,845	5,298	921	2,194	257	73
Amount	1,541,390	23,615	180,592	253,524	140,397	777,128	[illegible]	98,230
Direct expenses:								
Number of returns	13,544	2,984	3,065	4,607	919	1,482	219	47
Amount	741,340	11,749	100,530	105,334	94,478	362,555	43,827	23,228
Net income (loss):								
Number of returns	16,144	3,065	3,845	5,288	1,024	2,206	252	[illegible]
Amount	899,545	11,865	80,061	148,129	56,518	414,472	133,415	55,081
Gross sales minus returns and allowances:								
Number of returns	13,391	961	1,922	5,730	717	2,469	792	293
Amount	7,360,114	16,655	59,104	311,900	19,681	1,463,557	2,201,310	3,287,907
Cost of goods sold:								
Number of returns	12,903	961	1,922	6,249	717	2,092	690	270
Amount	2,979,252	17,525	35,597	205,979	16,251	506,439	996,062	1,201,397
Gross profit (loss):								
Number of returns	13,846	961	1,922	5,730	717	2,425	789	239
Amount	4,380,862	-870	23,507	105,922	3,420	957,118	1,205,747	2,086,115
Other revenue:								
Number of returns	37,728	6,249	5,768	11,537	3,482	7,554	2,412	720
Amount	9,410,072	52,362	56,478	181,759	233,753	1,299,260	1,848,925	5,737,535
Total expenses	181,298,552	970,025	2,761,297	8,681,010	5,004,304	29,330,345	53,254,786	81,296,784
Program services:								
Number of returns	58,979	12,018	13,941	21,152	5,531	12,293	2,105	936
Amount	151,667,591	481,731	2,497,256	7,039,339	4,060,906	23,829,835	43,538,281	70,221,939
Management and general:								
Number of returns	59,731	11,056	11,056	17,737	5,634	10,681	2,709	907
Amount	27,424,768	287,403	262,006	1,424,510	907,742	4,721,534	9,080,271	10,740,939
Fundraising:								
Number of returns	17,522	961	1,922	6,214	1,343	4,766	1,316	462
Amount	1,551,038	1,757	1,695	18,505	35,201	632,016	431,001	450,841
Payments to affiliates:								
Number of returns	3,110	480	480	1,442	102	496	351	26
Amount	555,154	12	38	[illegible]	454	147,998	205,201	82,154

[1] Excluding Private Foundations.

Note: — indicates Not Reported.

Detail may not add to total because of rounding.

SECTION EIGHT - THE MANAGEMENT AND DISTRIBUTION OF RESOURCES OF THE INDEPENDENT SECTOR

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CHARACTERISTICS OF THE HIGHER PERFORMING MANAGERS IN NOT-FOR-PROFIT ORGANIZATIONS

by
Richard D. Heimovics
Robert D. Herman

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THE RESEARCH ISSUE: EFFECTIVE MANAGEMENT

Successful management is a topic of great and seemingly ever increasing interest. Few issues in the study of organizations have attracted more interest. Best-seller lists usually contain one or more books offering advice on effective management and most popular business and management periodicals devote considerable attention to management success.

Though scholarly and scientific interest in effective managemant is also increasing, it is surprising how little we know, with reasonable certainty, about what distinguishes more successful from less successful managers. To our knowledge, no systematic research which follows accepted and reasonable canons of social science research has ever addressed this issue for the not-for-profit sector. Extant research has usually been generic in nature, that is, it has assumed management behavior is consistent across all kinds of organizations or that differences are more a consequence of size, technology or environment than sector.

Thus we have been left to draw indirect and tenuous inferences about successful not-for-profit management behavior from studies carried out in business and government. As attested by the creation of its Effective Sector Leadership/Management Program, INDEPENDENT SECTOR recognizes that there is too much at stake to slight the subject of effective management in the not-for-profit sector. Some of the most important questions yet to be answered about the management of not-for-profit organizations await study. What are the special skills and abilities which describe the work of the successful chief executive? What qualities differentiate those who are most successful from those who are not? How are successful executive qualities to be identified and assessed? Can the methods for assessment be shared, that is, can they be stated clearly and unambiguously in order for common understanding to occur? Are there variations in effective management behavior which can be predicted on the basis of situational differences? What should we teach not-for-profit managers in order to increase the prospects for success? Is effective management different in the not-for-profit sector? If so, how? This long list of questions could be extended.

Effectiveness: Individual and Organizational Approaches

Study of these questions requires distinguishing between organizational effectivness and the performance or effectiveness of individual managers. These are two distinctly different levels of analysis. Although some have argued that organizational effectiveness is not a scientific concept and should not be a part of scientific approach to organizational analysis,[1] most scholars believe that there are differences among organizations which are captured by the effectiveness concept and have distinguished many models of effectiveness.[2] There is no question that funders, board members, clients, regulators and managers make and act on judgments about differences in organizational effectiveness; however, it is often unclear if they differentiate between these two levels of analysis - the problem is no less complicated for the researcher.

Problems in Measuring Individual Manager's Success

The conceptualization and measurement of effectiveness of individual managers is nearly as complex as that of organizations. An example of such complexity can be found in research which has sought to describe management behavior as a social influence process. Influence is a central aspect of the manager's leadership role. However, the study of managerial effectiveness as a social influence process is wrought with complexity. Consider the difficulty when one tries to sort out the interactions among such concepts as authority, social power and subordinate behavior.

For power to exist in a social relationship there must be dependence of one person upon another. For effective management to be evident one assumes some congruence between the objectives of the manager as leader and the led; that is, one must differentiate clearly between voluntary and involuntary compliance. Furthermore, the presence of leadership would imply that there is some congruence between the objectives of the leader and those being led. But whether one is a "leader" depends on whether one has others who are willing to follow. The extent to which followership is a function of social influence, whether it is voluntary or involuntary or merely the result of a dependent relationship, is an important question in this line of research. Untangling these relationships has been slow coming. In fact, some have argued that there are few meaningful distinctions between leadership and other concepts of social influence.[3] Others who critique this line of research have even argued that understanding the phenomena subsumed under the rubric of managerial leadership may not require the construct of leadership at all.[4]

Another of the problems in conceptualizing, operationalizing and conducting reseach on managerial effectiveness is best described by what has come to be called "the attributional trap." The "common sense" way of describing effective managers often utilizes personality characteristics or attributes rather than observable behaviors. For example, effective managers may be described as "flexible," "decisive," "ambitious" and so on. These attributes often do not lend themselves to shared meaning. They "mean" often whatever the labeler wants them to. The columnist Sydney Harris frequently illustrated the vagueness of attributions in the following form. "I am principled. You are stubborn. They are pig-headed."

An example of the difficulties in operationalizing attributional terms is found in the process of performance appraisal. Traditionally, within organizations, individual effectiveness is formally assessed through a performance appraisal process. Encouraged by scholars and now even supported by the courts, appraisal methods have moved away from vague and ambiguous personality traits which are attributional in nature. Appraisal criteria must now be either "behaviorally anchored" or related to unambigous organizational outcome measures.

Likewise, research which has sought to identify a "great man (or woman)" theory of managerial success has generally been put to rest. This research has been plagued by the loose conceptualizing characterized by the "attributional trap." It seems quite clear that there are no ideal managerial personalities (e.g., a "strong character" or a "tenacious spirit"). Although various suggestions have been offered about the relationship between managerial personality and job behavior, the major conclusion of this "trait research" is that successful managers seem to come in all kinds of guises; there are no consistent personality differences which seem to characterize those judged effective or ineffective.[5] Or if there are personality differences, the difficulties in labeling them are similar to the shortcomings in using attributes to describe behaviors.

Management Effectiveness in the Leadership and Organization Theory Literature

Whereas neither trait nor social influence approaches have gotten us very far, other micro perspectives have shed some light upon definitions of managerial effectiveness. An important line of research has argued that there are two fundamental and discernable clusters of behaviors which describe "leadership style." One cluster is directed at explaining task oriented behaviors, those behaviors directed instrumentally toward job accomplishment. The second cluster is directed at social psychological aspects of the relationship between the managers and others. These two dimensions emerge from the famous Ohio State Leadership Studies as "consideration" and "initiating structure."[6] The clusters have taken on other names in other research, "group maintenance" or "task accomplishment," for example, but they describe the same two basic clusters.[7]

Fiedler was among the first to advance this line of research to include both an effectiveness criterion and situational variables.[8] Fiedler was interested in whether emphasizing one style or the other made any difference depending on the situation. Although the conceptual and behavioral meaning of his measurements of leadership remain controversial, he was able to demonstrate that the effectiveness of one style or the other may be contingent upon certain situational differences in the work that managers do.

This notion of "contingency" is now central to both the study of managerial success on the micro level and an understanding of organizational effectiveness on the macro. Two different points of view are represented by these two levels. The first, which sees the actions of the managers as vital, can be called "managerialism" or the "managed system perspective."[9] This point of view, to no one's surprise, seems to be predominant with practicing managers. This perspective holds that organizations are goal-directed and it is the task of management to find the most efficient and effective policies, processes and structures to accomplish the goals. Managers are seen as responsible for success or failure.

A second point of view which includes many variants, has been labeled "rational adaptation theory."[10] The most well known variant of rational adaptation theory, contingency theory, holds that organizational variability and change are managerially designed adaptations in strategy and structure in response to environmental uncertainty.[11] This theoretical perspective differs from managerialism in emphasizing that differing structures and processes are required for effectiveness in differing environments. Where Fiedler argued for the right fit to determine effectiveness on the micro, managerial level of analysis, structural contingency theory suggests there is a right or contingent fit on the macro level as well. The macro fit that matters is between the environment and the appropriate structure and processes of the organization. Thus contingency theory also holds out a large role for management though it gives greater emphasis to constraint on managerial discretion than managerialism.

The other variants of rational adaptation theory go further in the belief that organizations are controlled by their environments. "Resource dependence theory" holds out little room for managerial effect and thus would seem to argue that differences in managerial behavior are of little consequence.[12] In any case, the important issue raised by these two different levels of analysis and their differences in perspectives is central to this study. What makes the difference between success and failure? To what extent may success be attributed to the singular efforts, the skills and abilities, of the individual manager, especially the chief executive, or to what extent does effectivness depend on environmental forces beyond the manager's control?

Descriptive Studies of Managerial Behavior and Success

There is one more important line of research which we will discuss that is significant to our study. This research is not embroiled in the complex issues of contingent fit or best style. More fundamental in its objective, highly descriptive in its approach, this research is concerned only with determining (in fairly rigorous ways) what it is managers do. It is well represented by the work of Mintzberg.[13] Perhaps taking his inspiration from Fiedler's recognition that an appropriate style may be dependent upon the situation and realizing that Fiedler had a rather simple way to define the situation, Mintzberg undertook a systematic attempt to determine more precisely the nature of managerial work. Carefully observing chief executives of major organizations and collecting data from mail and chronological records, Mintzberg identified six characteristics of managerial work: (1) the manager performs a great quantity of work at an unrelenting pace; (2) managerial activities are characterized by variety, fragmentation, and brevity (3) managers prefer work which is current, specific and ad hoc; (4) the manager sits between his or her organization and a network of contacts; (5) the manager demonstrates a strong preference for verbal media; (6) despite the preponderance of obligations the manager appears to be able to control his or her fate.[14] Considering these six characteristics, Mintzberg concluded that all activities of managers could be found to involve one or more of three kinds of behavior: interpersonal contact, processing of information and the making of decisions.

Mintzberg's research is important to our study because he focused systematically and carefully upon the behavior of managers. Unconcerned with the vagueness of the leadership style approach, avoiding the attribution mistakes of others and determined to capture precisely the nature of managerial work, his research creates a whole picture of the manager, a gestalt, whose parts can not be considered in isolation when trying to understand the nature of managerial work. Lastly and undeniably, he confirms that some of the most important aspects of managerial work are to be found as the manager interacts with others in the work environment.

Dunnette's research complements Mintzberg's. After an extensive review of the literature he developed a questionaire which asked industrial managers about behaviors they thought were critical to managerial success. The result was a list of thirty-four motivational and behavorial skills.[15]

The Competency Movement

The last decade has seen the development of what some call the "competency movement" in management education.[16] This approach, influenced by the work of Mintzberg, Dunette and others is characterized by attempts to define skills in specific and behavorial terms. For example, rather than "talking about" what good communication means, the competency approach asks the student to learn how to distinguish between being descriptive and evaluative, how to be empathic rather than self centered and how to be problem oriented rather than person oriented. The student learns about these specific behavioral skills through self-assessment tests and exercises. Theory is important but the student practices the skills in role plays and simulations. In short, the student deals directly with his or her own behavior and with that of others. A text specifically designed to help students develop management skills has recently been published.[18] After an extensive review of the literature as well as their own study of over four hundred practicing managers, these authors arrive at nine critical skills. This list contains a combination of personal and interpersonal skills which they suggest are characteristic of high performing managers (e.g., managing conflict, improving group decision making, gaining power and influence, establishing supportive communication, etc.) These authors have avoided topics like "leadership" that involve a wide range of behaviors and also avoid traits like "responsibility," "fairness" and "initiative" which are attributional or lack well defined behavioral components.

The American Management Association (AMA) now operates a competency program designed for middle to upper level managers in large corporations.[19] A study aimed at determining the competencies of successful managers was recently completed under contract with AMA.[20] Here a competency is defined as "an underlying characteristic of a manager causally related to superior performance."[21] A competency is a part of one's repertoire of skills to be utilized in a variety of situations and job contexts. Based on analysis of over 2,000 interviews of managers, the author identified inter-related clusters of competencies which in varying degrees distinguish superior managers from average or below average managers. These clusters include leadership, human resource management, goals and action management, and directing subordinates. Within each cluster we find several specific competencies and for each competency, there is a series of behavioral expressions on indicators defining this skill. Unfortunately, some characteristics sound very much like traits or dispositions, e.g., "proactivity," "spontaneity" and "adaptability." Although this study can be critized for some of its methodological shortcomings, the model provides an empirical base for distinguishing behavior displayed by managers in various learning and assessment situations. It has been promoted as a set of norms to measure managerial performance, and is the basis for AMA's longitudinal study of the effects of competency training programs.[22]

Other recent research can be cast as part of the "competency movement." An interesting attempt to identify a specific set of managerial competencies used testimony from an expert panel and an extensive literature review. Conducted by the American Assembly of Collegiate Schools of Business (AACSB) this effort identified six clusters of skills which again were largely personal or interpersonal in nature.[23] Recently, Quinn and his colleagues have developed a framework for describing organizational effectiveness called the "competing values framework."[24] We believe this framework, when extended from the organizational to the individual management level, has promise for the identifying characteristics of effective managers. Certainly, the extremely popular, recent book In Search Of Excellence has sought to identify those organizational and management features which characterize successful firms.[25] A recent extensive study undertaken by the U.S. Office of Personnel Management has resulted in a competency based model of managerial performance. This study has established criteria to be used both in programs to train federal executives in managerial effectiveness and as the bases of appraisal performance in executive evaluation systems.[26]

PURPOSES AND DESIGN OF OUR RESEARCH

Design: Samples and Methods

We want to discover what effective not-for-profit chief executives do and what it is that makes them effective. An adequate design for such a purpose requires not only selection of managers who are considered highly effective, but also a comparison group. Since our interest is in chief executives we cannot (even if it were practically possible) use noncomparable internal performance appraisals. Further, though we anticipate that the effectiveness of individual chief executives is likely to be closely correlated with organizational effectiveness, we are especially interested in studying the effectiveness of individual chief executives. Thus, we do not want to define and measure management effectiveness with organizational measures (such as budget size or growth in budget or organizational reputation). These considerations leave only chief executive reputation as a feasible way of generating a sample of highly effective chief executives and a comparison sample.

We believe that the not-for-profit sector in every community includes many people who are in positions (as foundation leaders, United

Way officials, heads of technical assistance and coalition organizations and so on) where judgements about the effectiveness of chief executives of operating agencies must be made. We asked twelve such individuals to independently nominate those not-for-profit chief executives in metropolitan Kansas City who they considered highly effective. Our nominators have had extensive experience with various sub-sectors (principally human services, neighborhoods and arts) of the metropolitan not-for-profit field. A total of 90 chief executives were nominated by these judges. When a chief executive was nominated by at least two judges, that person became part of our highly effective sample. Thirty chief executives are part of this sample, including one who received seven nominations, one who received six, one with five nominations, two with four, two with three and 23 who received two nominations. To randomly select the comparison sample we assembled rosters of chief executives from lists provided by referral centers and consortia of not-for-profit organizations. After eliminating the names of those who received one nomination from our judges, we then randomly selected 30 "less effective' chief executives. In an initial telephone conversation we determined if each had been chief executive of that organization for at least eighteen months. Those who did not meet this criterion were excluded and another selected, on the assumption that they had not had an opportunity to become visible to our reputational judges.

Each of the 60 chief executives is being interviewed (by an interviewer who is unaware of which sample that executive is a part). The interviews, which are taped and transcribed, use the critical incident method, the technique employed in previous research on management competencies.[27] Prior to the interview we send a letter which provides information about the nature of the interview and suggestions about preparing for it. During the interview the chief executive is asked to describe an event he or she considers to have turned out as a great success, indicating who was involved, what the chief executive did and what eventually happened. The interviewee is also asked to describe an event that was unsuccessful in the same way. In both cases our interviewers encourage executives to describe their behavior in as much specific detail as possible. These critical incident interviews will provide both data about the nature of managerial work in the not-for-profit sector and the basis for assessing the extent of and analyzing the difference (if any) between the more effective and comparison samples.

At the conclusion of the critical incident interview the chief executives complete a short questionnaire designed to investigate some hypotheses from the attribution theory research tradition. We also ask for their assent to our contacting their board president and three subordinates who were aware to the incident. These people receive a similar questionnaire. Finally, each chief executive completes a lengthy questionnaire. It collects data on the chief executive's career, management education and other personal information, data on certain organizational characteristics (e.g., number of full-time equivalent employees, board size, existence of an executive committee, frequency of and attendance at board meetings), and budget data over the past five years. This questionnaire also includes items, some drawn from prior research[28] that will be used as measures of environmental context and uncertainty. Examples of such indicators are the number of chief executives employed by an organization in the prior five years, and in the prior ten years, affiliation and accreditation status, and executive's view of the most important board role.

Purposes

This research has several related, yet distinct purposes. First, at the most basic level, the critical incident and questionnaire data will provide substantial descriptive data on 60 non-for-profit organizations and their chief executives. Such data will allow us to more fully describe the nature of managerial work in the not-for-profit sector, the careers and management training of its chief executives, and perhaps reveal patterns in the types of events frequently encountered by not-for profit executives and in the successful and unsuccessful managerial strategies used in dealing with those events.

A second, central purpose of our research is to identify the skills and abilities (i.e. competencies), if there are such, that characterize highly effective not-for-profit executives. We think we have a strong design for determining whether the critical incident technique for discovering competencies, and whether the competencies approach itself, is reliable and valid. The transcribed critical incident interviews will be read and coded by raters who are unaware of whether the executive is a part of the highly effective sample or the comparison sample. If we find differences in the skills and abilities of executives reputed to be highly effective and others not so reputed, and if those skills and abilities are similar across organizations of varying sizes, sub-sector and environmental context then we'll have evidence consistent with the managerialist premise of the competencies movement. If we find differences in skills and abilities of more and less effective executives, but the skills and abilities differ by size, sub-sector or environmental context, then we'll have evidence consistent with contingency theory. Of course, if we find no differences in skills and abilities that won't necessarily mean that there are no management competencies. Such a result might be due to restricted range, in that our comparison group must have competency enough to have been selected as a chief executive and to have held the position for at least 18 months.

Previous competency research has apparently assumed that evidence of differences in competencies between more and less effective managers is sufficient to establish that the variation in competencies led to variation in individual effectiveness ratings. Further, previous competency research seemingly assumes that establishing the co-variation of individual competencies with individual effectiveness measures ensures differences in organizational performance. Assuming we find differences in competencies between the two groups, we will be able to investigate whether such differences are correlated with indicators of organizational performance. Do the organizations of chief executives reputed to be highly effective (and who differ in competencies from the comparison chief executives) differ on indicators of organizational performance? Do they show greater growth in overall revenues? Though longitudinal data is necessary to more clearly disentangle the contributions of many sources (sub-sector, the general and local economy, board influence, chief executive and so on) to organizational performance , certainly finding organizational correlates of competency differences would provide more credibility to the competency approach.

A third purpose of our research is to carry out a field test of some major hypotheses from attribution theory. Virtually all attribution research has been conducted in laboratory settings. A major finding of a long line of attribution research is that individuals are likely to attribute the cause of a successful outcome of their own behavior to their own efforts or skills, while attributing the cause of unsuccessful outcomes to situational constraints.[29] Does this result obtain in less artificial circumstances? Are there differences in the attribution patterns on the part of chief executives compared to board presidents and subordinates? Do the more effective executives differ from the less effective in their attributions about the causes of success and failure?

Finally, the questionnaire will provide us with organizational level data on a sample of 60 not-for-profit organizations. Such a relatively large sample will allow us to examine the interrelationships of environmental context, board size, executive perception of the board's role, and measures of financial and program change.

We believe our research, especially the competencies portion, has great potential usefulness. If a reliable and valid set of competencies that characterize more effective not-for-profit chief executives is delineated, then management processes and decisions could be improved. Identification, selection, training, development and appraisal of executives could all be changed through the adoption of competencies approach.

NOTES

[1] See Hannan and Freeman, 1977 and Bluedorn, 1980 for such arguments. For a thorough review of the organizational effectiveness literature see Campbell, 1977. Cameron, 1981 and Quinn and Rohrbaugh, 1983 also contain useful reviews.

[2] The work of Quinn and Rohrbaugh, 1981, 1983 (and Rohrbaugh 1981, 1983) seems especially promising.

[3] Pfeffer, 1977.

[4] Calder, 1977.

[5] Stodgill, 1974.

[6] Halpin and Winer, 1957.

[7] Bales, 1950.

[8] Fiedler, 1967.

[9] See Elmore, 1978 and Walker, 1983.

[10] Hannan and Freeman, 1984.

[11] See Thompson, 1967 and Lawrence and Lorsch, 1967.

[12] Pfeffer and Salancik, 1978 is the most thorough presentation of the resource dependence perspective. In support of their interpretation Salancik and Pfeffer, 1977, found in a sample of 30 U.S. cities that mayors account for less than 10 percent of the variation in most city budget expenditures. Lieberson and O'Conner, 1972, in a study of 167 firms over a 20 year period, found top management to account for 6.5% of the variation in sales revenue, 7.5% of the variation in net income, and 14.5% in profit margin.

[13] Mintzberg, 1971.

[14] Mintzberg, 1971,p. B-97.

[15] Dunnette, 1971.

[16] Vaill, 1983, p. 50.

[17] Mintzberg, 1971, p. B-97.

[18] Whetten and Cameron, 1984.

[19] Powers, 1983.

[20] Boyatzis, 1982.

[21] Boyatzis, 1982, p. 21.

[22] Powers, 1983.

[23] Accrediation Research Committee, 1981.

[24] Quinn and Rohrbaugh, 1983. See note 2

[25] Peters and Waterman, 1982.

[26] Flanders and Utterback 1985. See also Klauss et al, 1981.

[27] Boyatzis, 1982 and the McBer study of competencies for the State Department prepared by McClelland, Klemp and Miron, 1977, as well as the OPM (Klauss et al, 1981) research all use the critical incident technique.

[28] Pfeffer, 1973 and Pfeffer and Salancik, 1977.

[29] See Bradley, 1978. For a review of attribution theory and research as related to leader-member interactions see Green and Mitchell, 1979.

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WORKING DRAFT

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PERCEPTIONS OF MANAGEMENT EFFECTIVENESS BETWEEN CORPORATIONS AND NOT-FOR-PROFIT ORGANIZATIONS

by
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Perceptions of Management Effectiveness Between Corporations and Not-for-Profit Organizations

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Introduction

The attitudes toward not-for-profit (NFP) organizations and increasing tendency for the rationalization and bureaucratization of giving by corporations are two issues that have a significant impact on the independent sector. Recent cuts in government funding and tax regulations which encourage gifts-in-kind have caused a shortage of capital among NFPs and more aggressive and strained relationships with their benefactors. This paper explores the business attitudes toward NFPs, the bureaucratization of giving, and the potential effects these two issues have on the independent sector. These issues, however, are grounded in both the past and the present, and to grasp their full meaning it is important to view these recent developments not as isolated events but rather as part of an unfolding historical process.

Business Attitudes

In the literature of the last two years the business attitudes toward NFPs are blatantly faultfinding. In general, it is believed that NFPs could be improved if they were taught how to manage, businesslike ways, better management, how to hire better personnel and retain top quality employees, better recruitment techniques, how to charge for their services, management orientation to determine needs and wants, how to identify their target population, how to determine their market position, how to deliver services effectively, how to cooperate with other NFPs, how to maintain consistent quality, procedures to receive more earned income, financial planning, how to evaluate the programmatic value of their services, and tax planning and contract negotiating.[1]

By contrast, there is little in the literature on the attitudes of NFPs toward business. Furthermore, when NFP authors write about their organizations, they apply the terms and conditions set for them by business authors. If these disparaging attitudes are pervasive in NFPs, then a condition known as "role confusion" may be attributed to NFP personnel. By adopting the language and criteria for self-examination from business, NFPs are in danger of equating themselves with profit making institutions. While this statement on "role confusion" may not directly address the issue of what business thinks of NFPs, it is nevertheless imperative to understand the criticism of business. What is obviously being confused are the simple definitions of a NFP and a business. A business sells a service or goods for a fee plus profit, but when a NFP provides a service for a fee, it does not necessarily cover the expense. The basis upon which an organization functions determines the definition. Hence, it is quite obvious that to run a profit making institution it would be unwise to adopt a NFP model consisting of a modestly paid but highly dedicated staff augmented by volunteers and outmoded and cast-off equipment to do the job. It goes without saying that NFPs could benefit from better management techniques--any organization could. The fundamental point, however, lies in the basic contradiction when applying profit making evaluation techniques to NFPs without taking into account their special organizational characteristics.

How prevalent and pervasive the assumption is that NFPs are less than perfect "business operations" is difficult to determine. There are surveys showing that 63% of the corporate executive officers (CEOs) believe that NFPs make effective use of the money given them. This percentage is higher among the CEOs of the Fortune 1300 companies of which 74% agree with this statement, as opposed to only 45% of the CEOs of smaller companies.[2] Just how these differing attitudes are shaped--whether they are due to negative contact with NFPs a general philosophical orientation, or an unfounded stereotype--cannot be determined from the surveys. There is an indication, however, that the majority of the views expressed in the literature is from middle managers and not CEOs. Professional grant administrators encourage cooperation among NFPs whereas CEOs report that more federated NFP campaigns would have a negligible effect on their contributions.[3]

Thus far no attitude survey has been found to accurately measure NFP effectiveness in philanthropy. The frequency with which disparaging attitudes are expressed in the literature by both business and NFP authors might reflect an alarmingly pervasive trend. Lack of a response by NFPs and of a visible high-status spokesperson for NFPs could be an indication that NFPs have accepted the business view. The absence of a high status spokesperson with great visibility and who understands the special aspects of the "third sector" has produced a political vacuum. In a sense we are recreating history. The issue of what position NFPs should occupy in American society is currently being renegotiated, just as it was at the turn of the century, with the only difference that the NFPs do not have a Carnegie, Rosenwald, Penny, Addams, Barton, etc. to speak on their behalf. As a result, the parameters of the debate are in danger of being defined from only one perspective.

Bureaucratization of Giving

Presently any company of size has a committee to review requests for contributions as well as a staff to investigate the justification and ability of the donee to accomplish the task specified. Verbal requests for contributions are unheard of, and written and fully detailed proposals are required specifying how the contributions will be spent. The requirements for corporate giving have become more complex and now necessitate specialized knowledge of law, taxation, public relations, and corporate policies as well as singular areas of concentration like education, health, welfare, etc. By definition the rules now require that the actual process and decision making regarding the distribution of corporate philanthropic funds be removed from a single individual.[4]

Although the present trend toward bureaucratized funding appears to be predominantly in major corporations, a similar trend may be witnessed in smaller corporations as well. For example, White found that,

> ...8 in 10 CEO's claim to have virtually total influence or a large degree of influence over establishing the level of giving for their companies, and about 7 in 10 claim substantial influence over allocation decisions. While this pattern obtains [sic.] across most companies studied, CEO's of Fortune 1300 companies exert less influence over allocation decisions. This is due, in part, to the fact that corporate giving staffs (or corporate foundations) play that role in many Fortune companies.
>
> Although the CEO is the dominant figure, he is not the sole actor. Other prominent corporate officials also affect these decisions--members of the Board and top executives, particularly top executives at the headquarters location. Then, too, corporate giving staffs, which exist in 76% of the companies studied, wield some influence, but more over allocation decisions than decisions about the level of giving.[5]

Philanthropic decisions within a corporation should not be confused with the bureaucratic decision making process. While CEOs may approve and determine the level of giving, it is more and more the middle level staff's task to make the recommendations.[6]

The questions most frequently asked in the evaluation of a grant proposal are:

- What is the quality of the organization's management?
- Does the project meet a clear social need in the community?
- Is the project innovative?
- Are the goals of the project clear and can success be measured?
- Is the project likely to succeed?
- What is the financial strength of the institution?
- Are other sources of funds available?
- Does the project (and the organization) enhance the image of the corporation in the community?
- Do company employees volunteer time to the organization?
- Has the corporation supported the organization before? If so, how did prior funding succeed?[7]

Such conditions not only remove the initial decision making process from the CEOs but also conveniently tailor the grant proposals for the middle level staff.[8] Of course, in the future the ultimate evaluation process will be done on computers.[9] It should also be noted that along with this bureaucratization goes the perception of corporate giving as just another business function that may yield a return for the corporation. Whereas the attitudes of CEOs are important in establishing levels of giving, it is almost inevitable that the philanthropic procedures will become more formalized and integrated into the corporate structure.[10] This development tends to encourage what is referred to as "grass roots giving" or, in other words, giving at the community level. It not only assures instant social approval locally but also encourages entrepreneurial efforts of citizens.[11]

In the end, however, the key figure of corporate contributions is the CEO if for no other reason than it is he or she who makes policy, allocates funds, and has power in comparison to the professional grant administrator who can only influence the process. The difference may be expressed in these terms: The CEO sets the conditions for corporate giving, but the grant administrator sets the procedures.

Rationalization, bureaucratization and decentralization of corporate philanthropy have resulted in the following:

1) The procedural decision making process is delegated to middle level managers in the company. For example, the manager of "Corporate Contributions and Community Programs" makes recommendations to the vice-president based on the staff's analysis of need and company policy.

2) The procedures used for evaluation have become more and more an end to themselves. Forms must be filled out and properly documented, or the request will not be reviewed, no matter how important or critical the situation.

3) There is greater emphasis placed on projects that guarantee a potentially successful completion, because neither the CEOs nor the grants administrators want to be associated with a failure.

4) The descriptions of projects, for which the contributions are designated, are more narrowly defined. As a result, the smaller the project the greater the chance of funding.

5) Increased bureaucratic and administrative demands surrounding grant proposals force the NFPs to commensurately increase their overhead costs.

These procedural changes have produced what might be referred to as the "professionalization of philanthropic giving." Nowadays even college courses and degrees are offered in the specialized area of grants management which only legitimate professionalization of the field. It is not then surprising to find frequent references in the literature to the procedures of requests and awards of funds as being "unprofessional," "inefficient," "casual and unplanned," or "insufficiently documented," etc.[12]

The professionalization of giving has shifted the burden of responsibility for philanthropy from business to NFPs. The stipulations of a grantor usually contain an explicit description of the task to be accomplished. However, the prescribed and established procedures are often viewed as ends in themselves and separate from the goal. In fact, the procedures may often deflect the NFP from the goal.[13] Professionalization more often than not leads to goal displacement which results in requests for projects that are likely to be funded rather than needed.

There exists considerable literature on the topic of goal displacement in organizations which is generally believed to be caused by three conditions: 1) The desire of participants in the organization to retain their positions by focusing on self-serving rather than goal directed activities, 2) strict enforcement of rules but negligent execution of the procedures, and 3) casually created groups within the organization whose informal norms are contradictory to the goals.

Complex corporate conditions and changes in grants management in the last few years are only the beginning of the ever increasing escalation of bureaucratization. There are two trends that need to be highlighted: First, the funding of smaller projects and second, the increased influence of lower level professional grant managers in the decision making process. Because of these trends it is mainly the large national and international NFPs that are jeopardized. It is questionable if the cure for polio could have been discovered if the sponsoring ganization had been forced to raise its funds under today's ditions. It is an organizational problem in that the structure the bureaucratic giving mechanism only allows awards for smaller projects that appear certain to succeed.

Lack of circumspection brought to the task by middle managers calls into question whether or not the current structure of corporate philanthropic giving is able to meet the needs of large international and national NFPs. Middle level managers by definition tend to view institutions on a smaller scale and consequently are not privileged to the larger global sweep seen by CEOs. The absence of CEOs in the present decentralized decision making process of corporate philanthropy is perhaps the most important difference between corporate giving of today and the 1950's. Most likely it is the degree of vision that the corporate executives provided in the 1950's that made the critical difference in the past prosperity of NFPs.

Conclusion

A. Issues and Problems

Let us begin with a crucial question. Would a "shape-up" of NFP operations--by hiring more professionals, purchasing more recent equipment, applying more sophisticated business techniques, etc., all of which increase the operating and overhead costs--be commensurate with an improvement in service? Probably not. It is questionable that the American Red Cross would be able to process and store more blood, or that the Salvation Army would be able to help more indigent people. There seems to be a basic misunderstanding in some of the literature as to what a NFP is and does. One thing it is not--a business, at least in the sense of profit making. Therefore, it need not be managed and organized like a competing business. Only salaried employees can be imposed upon, unlike volunteers who are the majority of the labor force of NFPs and necessitate a different management approach. Only a client who orders a service or goods can be made to pay, unlike an indigent in need of assistance for which he may be able to pay only a small part. These fundamental differences between a NFP and a profit making organization must be retaught to American society and American business in particular.

The exaggerated focus in the literature on the inefficiency of NFPs reveal not only impartiality but also a conveyance of blame for social ills. By labeling them organizational failures, NFPs become the victims and logically carry at least part of the blame for social problems. After all, from this point of view, if NFPs were better organized, managed, and staffed, the social problems would be solved. This kind of thinking is known as "blaming the victim,"[14] and in this instance the victim is charity.

In most advanced industrialized societies the services rendered by our NFPs are borne by the national government. The United States is almost unique with its system of volunteer organizations. It is one of our great traditions, which is unfortunately threatened by a lack of government and corporate support and understanding. If some NFPs were forced to close their doors, it is unlikely that the public would accept the loss of their services. It is also inconceivable that government could provide cheaper social services or that volunteers would donate their time to a profit making business.

B. Agenda for Future Research

In the course of this literature review a number of questions were raised indicating a substantial need for research in the following areas:

1. Attitudes of both upper and middle management in business toward NFPs with additional emphasis on the differences between large and small corporations.

2. Case studies of the benefits of corporate giving. More explicit information is greatly needed besides the intangible rewards currently cited in the literature. Perhaps studies of the informal network among CEOs through their contacts with NFPs would give us the answers.

3. Perceptions of NFPs of themselves versus their place in American society. Their acceptance of definitions from the business sector is potentially self-destructive with respect to organizational goals and identity.

C. Agenda for Action

While this study is pointing to future directions for research, there are some aspects that need immediate attention:

1. National and international NFPs must assume more leadership in shaping their image, defining the issues surrounding their purpose and the ways in which they accomplish their goals. Since the current literature reflects a vacuum, NFPs must begin a dialogue.

2. NFPs must make more effective use of Board members. These are generally influential and highly visible individuals in the corporate world, whose power and prestige should be tapped. Board members make excellent spokespersons on behalf of NFPs and their endeavors.

3. Increased contact between business and NFPs must be a priority. The literature shows consistently that people who work together on common problems tend to have positive feelings about each other and their projects. NFPs must try to draw business people into their activities through the establishment of committees, panels, study groups, action groups, planning groups, etc. This strategy should not only be applied to CEOs but also middle level and especially grants managers.

4. A re-examination of the role philanthropy plays in a capitalist society is necessary. For there appears to be ideological confusion as to whether philanthropy is a liberal or conservative response to social problems.

NOTES

1. Scanlon, 1983; McAuley and Balding, 1984; Adams, 1983; Hallock, 1983; Duffy, 1984; Plinio, 1983b; Scanlon, 1983; Stern, 1983; Rodney, 1984; Delfin, 1984a; Smith, 1983; Gold, 1983; Jacob, 1983; Stern, 1983; Plinio, 1984; Plinio, 1983d; Carter, 1985.
2. White, 1982, p.61.
3. White, 1982, p.61.
4. Macpherson, 1984; Karson, 1983; Buchsbaum, 1984; Plinio, 1983; Parks, 1983; Dove, 1983; Reynes, 1983; Nadler, 1984; Alexander, J.N., 1982; Johnson 1982).
5. White, 1982, pp.45-6.
6. Teltsch, 1982.
7. Jones, 1982, p.56.
8. Wilson, 1982, p.120.
9. Alexander, 1982.
10. White, 1982, p.18.
11. Wilson, 1982, p.122.
12. Reynes, 1983; Anonymous, 1983; Johnson, 1982; Dove, 1983.
13. "The generic problem of goal preservation may be stated as follows: In order to accomplish their goals, organizations establish a set of procedures or means. In the course of following these procedures, however, the subordinates or members to whom authority and functions have been delegated often come to regard them as ends in themselves, rather than as a means toward the achievement of organizational goals. As a result of this process, the actual activities of the organization become centered around the proper function of organization procedures, rather than upon the achievement of the initial goals" (Sills, 1957, p.62).
14. Ryan, 1972.

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PHILANTHROPY RIGHTS AND ENTITLEMENTS

by
Julian Wolpert
Thomas A. Reiner

Prepared for
The Management and Distribution of
Resources of the Independent Sector Panel
March 14, 1986

The National Science Foundation (Geography and Regional Science Desk, Social Science Division) provided initial support for this research.

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PHILANTHROPY RIGHTS AND ENTITLEMENTS

INTRODUCTION

The analysis and findings reported in this paper are part of a long term study of philanthropy and the not-for-profit (NFP) sector at the regional and metropolitan levels (Reiner and Wolpert, 1981; Wolpert and Reiner, 1984). The regional approach allows us to examine a set of general questions which cannot be addressed adequately in an aggregate national study.

In an earlier paper, we examined the magnitude of philanthropy and the not-for-profit (NFP) sector in four diverse metropolitan areas: Philadelphia, Minneapolis-St. Paul, Los Angeles and Houston (Wolpert and Reiner, 1985; Wilson; Wolch). The tentative findings indicated that NFP service sectors, fueled by philanthropy and public sector support, are expanding in the growing metropolitan areas to reproduce the NFP role earlier established in the regions of older eastern settlement. The downside process seems to be true as well, i.e. declining areas retain both NFP and public services to a greater degree than one would expect given their losses in population, jobs and private investment.

These findings are encouraging in the sense that NFP representation predictably emerges locally (like an invisible hand or heart) to serve the expanding and changing needs of both growing and declining areas. But installing or adapting a service infrastructure takes time as well as capital and trained personnel and does not inevitably lead to parity in service breadth and targeting. There is a lag in expanding or adjusting the service complement to the rapid inter-regional movements of donors and clients. Significant regional variations in service provision persist. Furthermore, while Philadelphians struggle to sustain their existing museums (with scarcer resources) and social services (with more clients), Houston donors are active in raising capital funds to establish and expand their cultural and hospital infrastructures even if relatively less can be targeted for provision of social services.

Mobility and local autonomy yields a diversion of philanthropic dollars from direct services into capital investments to reproduce institutions in growth areas which closely resemble those struggling to survive in the declining areas. Mobility and autonomy also expose users of NFP services to significantly different local standards of generosity. Our analyses show that virtually all the national real net increase in donations since the middle 1970's can be accounted for by the capital flows to create new cultural and health facilities resulting from population redistribution. One cannot fault donors or residents of growing metropolitan areas for wanting to create such local amenities but from a national perspective the net increment of impact is neutral or even retrogressive.

The same inequity and lag are present in public provision of services. Primary reliance on municipality discretion for the raising of revenues and the allocation of expenditures yields inequity in service provision between growing and declining communities. The relative shortfall in both NFP and municipal expenditures is most severe for social and human services and least severe in health and cultural services (Wolpert and Reiner, 1985). Put more simply, local NFP and public sectors move in tandem in their capital investments and operating expenditures and reliably deliver and sustain a range of services but with some lag and some apparent significant inequality in outcomes.

Our objective is this paper is to clarify the implications and consequences of "home rule" in philanthropy and its parallels with local autonomy in public sector budgeting. Our theme, of course, is that both public and NFP sectors mirror the same underlying set of social and cultural attitudes and preferences about willingness to support government and independent sector provision of services. NFP and public sectors now parallel more than compensate for one another.

LOCAL AUTONOMY IN PUBLIC AND NFP SECTORS

The public sector in the United States has evolved over the past two hundred years a finely tuned hierarchy of rights and entitlements that are distributed between federal, state and local units of government. The rights and entitlements periodically expand or contract or shift in their locus of centralized or decentralized control.

Rights typically refer to the non-material elements of our lives, e.g. "due process" and "equal protection." Unlike guarantees of fundamental rights, federal, state and local support for health care, housing, public education, cultural activities and social insurance are legislated entitlements and subject to unequal provision, periodic review, selective paring, or even elimination. Public entitlements are thus more vulnerable and fragile than fundamental rights and they can and do vary significantly from place to place. For most Americans, the instrumental service entitlements are those provided by local units of government.

The generosity of public entitlement programs such as welfare and housing assistance differ from place to place depending on local statutes and supplements. Furthermore, the locus of government entitlements is being shifted increasingly from a national to a local base, i.e. to recognize variations in regional and local resources and preferences for support of public sector service provision. State constitutions and state and local statutes also differ in the guarantees they provide of fundamental rights and their enforcement.

Philanthropy's support of services has some strong parallels with the entitlement programs provided by federal, state and local government. But, the philanthropic community does not have a national "bill of service rights" or common base of entitlements and eligibility rules to override local preferences in service provision. Philanthropy has not been established in our society as an obligation for donors nor a right for recipients but as a voluntary responsibility for donors and a potential entitlement for those in need of service (Hansmann).

With a predominately local base for fund raising and service provision, philanthropy probably cannot shift to a totally national allocation scheme (with formula targeting and inter-regional transfers) without losing a significant portion of its support. Donor responsibilities and client entitlements are substantially governed by local standards. Fund raising institutions formalize local targeting and some state charters even forbid out of state transfers. National philanthropic concerns are focused now on overseas or domestic disaster relief, research and public information on diseases, and protection of tax deductibility for donations rather than on regional domestic problems such as the homeless and single parent families. Philanthropic targeting presently has the same localism bias as the public sector and is affected by the same swings to greater or lesser generosity extended toward others not in the same community (Wolpert and Reiner, 1981). The same political swing toward reducing the public sector "safety net" has affected the targeting of donations (Salamon). Local philanthropy still preserves the rationalizations of the 1960's that the public sector in the 1980's adequately maintains the safety net when the evidence clearly indicates otherwise.

Rigidities in local targeting

Contemporary philanthropy has succeeded in converting an increasing share of charitable contributions from irregular and episodic gifts into more or less stable payments (i.e. like local taxes) to organized local not-for profit groups and umbrella organizations. Independent NFP organizations and member agencies of such umbrella groups as United Way, Catholic Charities, and Federation now receive rather predictable annual payments from local fund drives that are akin to entitlements. In bad or good years or when selective needs can be established, marginal adjustments can be made in the targeting of funds.

Under certain conditions, member agencies can lose their entitlements if their targeting of allocations differs from local fund raising and marketing objectives. Similarly, agency clients receive entitlements to services based upon local funding, service priorities and eligibility requirements, but do not have enforceable and fundamental rights to a service like counseling, a college scholarship, or a seat at the opera. Since philanthropic entitlements are highly localized and may not be available elsewhere, moving from New York to Phoenix means giving up opera even if one is addicted to Puccini. What you get depends on where you are.

Philanthropy and charity

Local autonomy in fund raising and the targeting of allocations has obvious consequences for inter-regional and inter-community parity in service entitlements. Here, we distinguish between philanthropy (i.e. donations to establish and maintain not-for-profit organizations) and charity (i.e. immediate redistributive gifts.) Contributions, just as taxes, have two major components: real transfers and consumption of services by donors. Regional and local variations in service provision are significant issues because most donations are not charity but targeted to local activities and devoted to services used by the donors themselves or others in the same socio-economic group (Weisbrod).

The autonomy and equity issue is related to the imbalance of needs and resources reflected in the residential settlement patterns of households. The Tiebout framework accounts quite adequately for the tendency of households to reside in a community whose local service provision and taxing level match household preferences and resources. Those wanting limited service provision and low taxes will find those preferences accomodated in a community of like-minded residents. This process evades property tax transfers to support public services needed by lower income residents of the same metropolitan area (Tiebout).

This same process affects support of NFP services. We do not suggest that households move intentionally to avoid the need to make charitable contributions but that the social homogeneity of residential patterns largely provides the context for household perceptions of service needs as well as the targeting of donations. More than sixty percent of suburbanites' donations, for example, are targeted to support local religious institutions and another thirty percent go to cultural and private educational organizations and nearby hospitals. Very little remains for real income transfers to the poor and those who live in other communities.

Inter-regional and inter-group transfers

The public and NFP sectors compensate for the groupism and localism bias to some degree through more centralized transfers at regional, state or national levels. Again we find, however, that the share of both public and charitable transfers that are targeted to the social and welfare needs of "outsiders" is presently about the same and accounts for less than twenty percent of the flows.

Like the tax system for entitlement programs, philanthropy has evolved through a process of negotiations and compromise to a stage in which a high volume of transfers must occur for some trickling down to take place. In the aggregate, philanthropy is now about as charitable as the public sector!

This conclusion about the similarities between public and philanthropic transfers is an artifact, however, of cross-sectional analysis. The long-run historical perspective demonstrates lag of public sector efforts behind the lead of charitable targeting of donations.

Lead and Lag Relationships

Both philanthropy and the public sector have been preoccupied in recent decades with the consequences of the considerable redistribution of population in the United States. This dislocation has required enormous capital expenditures by public and independent sectors to expand the service infrastructure in the growing areas while at the same time sustaining services in the declining regions.

The public sector has caught up with philanthropy's redistributive targeting because it is also still locked into an extensive federal and state system of relatively stable entitlements. At the same time, philanthropy has become less constrained by charitable obligations and more concerned about preserving its earlier creations and reproducing an enriched quality of life in new areas of settlement.

RESEARCH IMPLICATIONS AND RECOMMENDATIONS

The philanthropic community once led the public sector into its concern with national and international pockets of need and by demonstrating the value of stable and centralized entitlements. Leadership is still being provided by the share of national philanthropy which pioneers in its examination and advocacy of national priorities for public and charitable attention. Philanthropy, having recently experienced the virtues and hazards of almost total local autonomy, is in a good position to pass on these lessons to government. Leadership in the independent sector in New York and Philadelphia can document exceedingly well its difficulties in funding facilities for the homeless and the handicapped, services for minorities and operating expenses for museums. There should be good documentation as well of the national cost involved in creating vast new cultural facilities in the Sunbelt while established facilities in the Frost and Rustbelts are being neglected.

A national data and analysis center is needed which monitors and evaluates the regional and local trends and identifies the problems requiring national attention. Among other projects, the United Way national information center and the Urban Institute study directed by Lester Salamon have made important steps in this direction by providing information on the giving and targeting patterns in a large number of metropolitan areas. Even though national philanthropic planning may not be feasible in the short run, we may at least be reminded periodically of the cost of doing without any coordination and with minimal inter-regional and inter-community transfers. We might learn, for example, that very little of the real potential in fund raising has been achieved. We might also learn that the marketing of fund raising on the basis of direct local benefits and amenities for donors is simply one of a set of potentially successful strategies. We could find out as well local donors are more amenable to national priorities than is commonly assumed especially on the social targeting agenda.

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COMPARING COMMUNITY CAPACITY:
A MANAGEMENT TOOL FOR MEASURING MARKETS

by
Ruth Ellen Wasem

Prepared for
The Management and Distribution of
Resources of the Independent Sector Panel
March 14, 1986

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COMPARING COMMUNITY CAPACITY:
A MANAGEMENT TOOL FOR MEASURING MARKETS

At the crux of this inquiry is the development of methodologies for assessing a community's capacity to support human services. In this case, the focus is on local United Way organizations, but the research designs and resulting techniques are applicable in other nonprofit, social service and community planning settings.

Individuals involved in resource development and deployment in a local community may indeed know all there is available to know about the community and may have scrutinized socioeconomic data at the most minute level for the community. Numbers without a context, however, provide poor illumination of policy options and weak substantiation of decision-making. The worth of measurement is displayed in the comparative context, whether the data are compared for the same community over time or among different communities at one point in time. This research utilizes socioeconomic and demographic indicators, including several measures of change, for the 288 largest United Way market areas in America, thus placing approximately one hundred indicators in a truly comparative context.

Background

Since 1790, the United States government has been conducting a decennial census, the results of which had been largely the provenance of demographers and statisticians. A rich literature that studied age, family size, ethnicity, race, gender, education, occupation and income characteristics of the population emerged. There was a cross-fertilization of this research into fields of economics, sociology, political science, and history and an evolving refinement of these socioeconomic indicators. Census data were used descriptively -- to characterize and differentiate subsets of the population and to track change over time -- and predictively -- to investigate causal links to endogenous variables such as fertility rates and indices of economic development and political change. Given the great volume of data and the detailed level of specificity, most of the census-based research were either community case studies or highly specialized and narrowly defined analyses.

With the 1970 census, the U.S. Bureau of Census made public use, machine-readable tapes available for the first time and precipitated a gold rush of research analysing local socioeconomic indicators on a national scale. Out of this panoply are several major areas of research that are pertinent to the matter at hand.

In the area of public policy, economists and political scientists are engaged in ongoing analyses of the relationship between communities' socioeconomic traits and local government expenditures and services. One school of thought posits "demand function" models assuming a direct, linear relationship between community characteristics and policy outputs, and thus concluding that need drives expenditures for services. Another stream of logic argues "marginal utility" models based upon a cost-benefit analysis of the situation. Still other researchers linked socioeconomic indicators to the institutional development of communities and, in turn, to their generosity toward social welfare.[1]

A second body of research utilizing socioeconomic indicators is the "quality of life" approach. Not to be confused with perceived quality of life measures drawn from individual-level attitude surveys, these studies focus on "objective" indices of well-being for communities as a whole. These indices typically include measures of: income, wealth and poverty; employment; education; health; crime and substance abuse; age and race; and, political participation. Most of this research is descriptive in nature.[2]

A final area of research especially relevant to this inquiry is at the nexus of demography and marketing. Often popularly referred to as "lifestyles" or "targeting" research, these analyses use community socioeconomic data to identify and locate specified types of people, i.e., market segmentation. This kind of information is employed in a variety of ways, ranging from site location of commercial establishments to drawing boundary lines for legislative districts.[3]

The impetus for this research project grew out of a desire within the United Way movement to understand the characteristics of the social environment that affect community resource development and human service allocations. The project, known generally as the Comparative Cities Project (CCP), has three overarching goals: to identify meaningful factors which seem to influence how a United Way does business; to identify communities which are most similar for each factor; and to create a vehicle which allows like communities to share appropriate strategies.[4]

The research discussed in this presentation covers only selected portions of the work done to date on this project.

Identifying Key Market Indicators

One of the strengths of the Comparative Cities Project is that it captures an image of the community with the national picture as a backdrop. Of all of the statistics available, one of the most useful is the rank. The rank value gives the city's standing in descending order among the 288 largest markets and presents in a straightforward way how the city compares with the other cities.

The rank can be used as a window to the unique demographic, social and economic features of the city. It reveals those indicators which can be deemed "key market indicators" because it pinpoints on what characteristics the city stands high as well as on what characteristics the city falls low. The Research Division labels those indicators on which the city ranks 25 or less as high market "spikes." Those indicators on which the city ranks 263 or more are known as low market "spikes." Thus, a quick glance at the city's ranks highlights significant traits of the city and suggest characteristics that should be looked at in more detail. (See Figure 1.)

Once a city's "spikes" are noted, it is useful to discover what other cities share these "spikes." The researcher may search the database to find those cities that are closest to the city at hand on its key market indicators. The result is a listing of all the cities which approximate the city at hand on at least one of the "spikes." The frequency at which cities on the list fall near the city-at-hand's various indicators offers an index of comparability. Put another way, cities which frequently have similar "spikes" can be called "comparable cities" because they share key market indicators.

An example of this process applied to Boston and cities with populations exceeding 1.5 million is presented in tabular form in the Appendix.

Defining the Contours of Communities

Another major feature of the Comparative Cities Project (CCP) database is that wealth of specific indicators may be interwoven to form a visual image of a community. Since many of the indicators have been converted from total numbers to percentages, these indicators constitute distributions of percentages that form sets. For example, the number of people employed in each occupational category is converted to the percentage of people employed in each category. The total of the six occupational categories is 100%. By utilizing these occupational percentages as a set of indicators, one can depict the occupational "contours" of a community. Other groups of indicators that may form sets are: educational levels, age groups, trade groups, payroll class and income levels.

The contours of a community are most clearly communicated by using a method which generates a visual pattern. This type of display derives from plotting the percentages of a set of indicators. Graphing the percentage distribution outlines the curves of the set of indicators and provides a delineation of the contours. Matching the contours of a given distribution for a set of indicators with the contours of other communities with a similar pattern yields a method for displaying comparability.

A visual technique may be used with one United Way or with a group. When seeking communities that are comparable to a specific city, in terms of its personal income, one would plot the percentage of that city's population that falls within each of the seven personal income categories. The Comparative Cities Project data base is then searched for cities that have a similar pattern of values for the personal income set. The distribution of those that most closely match the pattern of the target city may also be plotted so that one could observe the personal income contours of all the comparable cities as well. (See Figure 2.)

In contrast, if there is a group of communities for which one wants to find a matching group, the technique is adjusted slightly. The highest and lowest values for each indicator within the set are obtained for the cities as a group. These "extreme" values are plotted across the distribution of the set, defining the range of values, on those indicators, for the group of communities. This range of values, across the percentage distribution, forms a band that one can use to pinpoint all other communities falling within these limits. (See Figure 3.)

The CCP indicators enable one to probe the complexities of communities' economic and demographic makeup and to identify those specific indicators that are unique to the communities under study. Nonetheless, the sheer number of indicators may overwhelm those seeking to label characteristics of the city at hand and to discover its "comparable" cities. It is important to uncover underlying dimensions that reduce these many indicators into a limited number of factors that are theoretically satisfying, substantively meaningful and practically applicable.

Factor Analyses

Factor analyses is a statistical data reduction technique that is appropriate for the type of data contained in CCP. This technique analyzes the extent to which each of the indicators are statistically related to each other and then produces sets of indicators that summarize the best numerical arrangement of the variables. The researcher inspects the resulting factor coefficient scores to ascertain whether the mathematical expressions of the functional relationships among the indicators are substantively meaningful, i.e. whether they make sense.

The method of principle factor analysis was used to synthesize 92 variables. The CCP database yielded five factors that are statistically stable. This discussion summarizes analyses described more fully elsewhere.*

Factor #1

The first factor captures the income dimension of the communities. At the positive end of the factor are household income categories spanning from $25,000 to $50,000 plus, personal income categories ranging from $10,000 to $50,000 plus, Effective Buying Income (EBI), local government taxes and local government direct expenditures. The negative end of the factor includes those household income categories that are less than $15,000, those personal income categories that are less than $18,000, and the indicators of the percentage of people that are below 150% of the poverty level. Those indicators measuring the proportion of those with less than four years of high school, and those working in service occupations are at the end of this factor. The factor ranges from affluence and prosperity to low-income and poverty.

Factor #2

The second factor maps the employment characteristics of the communities. On the positive side are percentage of those with college or postgraduate education, percentage employed in service trade groups (i.e. service industry, not service occupations), in state government employment sector, in management and professional occupations, and in technical, sales and administrative support occupations. The positive dimension also includes the proportion of non-family households, and the percentage aged 20-34. On the negative side are the operator-laborer occupations, the precision production occupations, the private wage-salary workers, and the age dependency ratio. This factor has what may be referred to as white-collar, technocrat, or "Yuppie" employees on one end of the spectrum and working-class, blue-collar, or skilled, production workers on the other end.

Factor #3

The third factor merges the indicators of demographic and economic change. The positive end is comprised of the percentage change in population and households from 1980 to 1984, employment in the construction industry, the proportion having 1-3 years of college, the percentage of the population that moved from within the country, proportion self-employed, percentage employed in retail trade, and to a much lesser extent the percentage of American Indians, Eskimos, Asians and Pacific Islanders. The negative end contains local government debt ratio, percentage employed in manufacturing, and the proportion of the population living in the same house since 1975. This factor identifies the growing, dynamic communities as well as the economically mature, demographically declining communities.

Factor #4

The fourth factor combines measures associated with core urban communities. Those indicators with positive scores are the percentage of female-headed households, and female-headed households with children, percent black, percent Spanish Origin, percent urban, proportion rental housing, local government general revenue, percentage of the population moved from abroad, percent employed in transportation, public utilities and communication industries, percent employed in finance, insurance and real estate trade groups, percentage in the wholesale trade industry, and proportion working in the local government employment sector. The only indicator with a negative score is percentage of the population that is white. This factor grasps the prevalence of racial minorities, trade group diversity, size of local government and potential welfare dependency -- features often used to describe large metropolitan communities.

Factor #5

The fifth factor brings together the age group indicators for the communities. At the positive end are the categories of population less than 20 years old -- the infants, children and adolescents -- as well as a high proportion of population mobility within county. The latter measure suggests couples buying homes to accommodate growing families. The negative scores include the population 55 years or older. This factor suggests a spectrum ranging from young families to the elderly population.

A graphic depiction of Boston's scores on all five factors is presented following the text. (See Figure 4.)

Not only are these five factors intuitively satisfying, but they are also pertinent to the business of local United Way organizations. The first factor, income, enables a community to assess its relative fund-raising potential and economic need. The employment factor, because it measures trade group, occupation and education characteristics, helps target access points to tap the fund-raising potential. The third factor captures mobility, change and growth, and thus, emerging or diminishing fund-raising potential. The urbanization factor could serve as a measure of hard-to-reach and special needs population and may facilitate the needs assessment process. The fifth factor, age, identifies the population most apt to be dependent--children and elderly--and is therefore relevant to establishing program service priorities.

After the identification of five factors that synthesize the interrelationships of 92 indicators, the next logical question is: what cities are similar to each other along these five dimensions?

Cluster Analysis

Cluster analysis, an analytical technique often used in marketing research, groups similar observations together by minimizing the mathematical distances between a set of quantitative variables. While factor analysis takes indicators and reduces them into statistically meaningful sets based on the values of the cases (cities), cluster analysis takes cases (cities) and forms groupings based on their factor scores. There are a number of clustering criteria such as nearest centroid sorting, Ward's method, and average linkage of squared Euclidean distance, and the resulting clusters can be formed in a hierarchical or disjointed arrangement.

The present analysis uses disjoint cluster analysis based on Euclidean distances to produce 11 clusters. Each of the 288 cities is assigned to a cluster based on the composite of its scores on the five factors.

The following descriptive information derived from the cluster analysis provides an understanding of the characteristics of each of the city groups. Given that over 90 variables have been reduced into five factors and that these five factors form the statistical basis to group 288 cities into eleven clusters, the results below convey only the most distinguishing features of the communities. A detailed methodological discussion and the resulting list of cities in each cluster are available in a separate research paper.*

Cluster #1

The first cluster is characterized by an extremely high score on the employment factor, signifying the preponderance of white-collar communities. These cities have moderate to low values on the income factor, a mixed pattern on the growth factor, low scores on the urbanization factor and an age factor score that suggests a somewhat young population. A review of the cities falling in this cluster reveal many college towns and state capitols.

Cluster #2

The second cluster has two extreme factor scores that distinguish it. The growth factor is quite high, and the age factor is very low. Its income and employment scores are somewhat low. The urbanization scores fall in the middle range. This cluster is composed exclusively of Florida cities that are considered "retirement" communities.

Cluster #3

The third cluster is distinguished by very low scores on the growth factor and extremely high scores on the urbanization factor. Its factor scores on the employment and income dimensions are moderate, and its age factor score is low. These cities are predominantly major metropolitan centers and their satellites.

Cluster #4

The fourth cluster generally has moderate scores on all of the factors. Its income factor mean score is somewhat high as is its employment average score. The growth factor and the age factor are low while the urbanization score is mixed. The cluster is predominantly northeastern and midwestern urban areas characterized by declining populations and stable incomes.

Cluster #5

The fifth cluster's most outstanding feature is its very high factor score on the income dimension. Its relatively high score on the employment factor implies that it is largely composed of white-collar cities, and its low age factor score suggests a maturing population. The growth factor is mixed, but tending to be low. The urbanization factor is mixed as well, but tending to be high. For the most part, these are wealthy, established cities on the East and West coasts.

Cluster #6

The sixth cluster is noted for its high growth and moderately high income factor scores. It is somewhat high on the employment dimension and the age dimension, sketching the image of a growing, youthful, white-collar population. The pattern of scores on the urbanization factor is mixed. With only a few exceptions, these cities are located in the West and could be deemed a more prosperous subset of the stereotypic sunbelt.

Cluster #7

The seventh cluster has several striking features. The income factor is quite low; the urbanization factor is quite high; and, the age factor is quite high. The employment and growth factor scores are mixed. These less prosperous communities with their young populations are generally situated in the Southeast.

Cluster #8

The eighth cluster is notable for its high growth and low income factor scores. The employment, urbanization and age factor scores are distributed in a mixed pattern. Almost all of the communities in this cluster fit the geographic boundaries and popular image of the sunbelt.

Cluster #9

The ninth cluster has negative mean scores on all five factors. These scores, thus, paint a picture of communities that are low income, blue collar, diminishing growth, low urbanization, and generally older populations. This cluster is primarily comprised of smaller-sized northeastern and midwestern cities, many of which have survived several economic downturns over the past few decades.

Cluster #10

The tenth cluster captures the high income, blue collar communities. This cluster has low growth scores and particularly low urbanization scores. The age factor scores indicate a rather youthful population. These are midsized communities that are largely located in the Midwest.

Cluster #11

The eleventh and final cluster is quite similar to cluster nine in that it is blue collar, low growth and low urbanization. Its income factor mean score is higher than cluster nine, but it still has a moderately low average score. The most distinguishing feature of this cluster is that it has a high age factor score which indicates a young population. The cluster is predominantly midwestern communities, many of which were hard hit by the recession of 1982.

For illustrative purposes, the appendix includes a listing of all cluster four communities and their factor scores. Boston falls into this group, and thus, it was chosen to continue the example of Boston.

Thus far, this paper has presented three approaches to comparability: one that identifies extreme values and selects cities that share these unique features; one that utilizes sets of variables and extracts communities that have similar distributions on these variables; and, one that employs five statistically-derived socioeconomic factors and clusters communities according to these dimensions. The example of Boston illustrates the results of each technique and reveals that several cities consistently emerge as "comparable" to Boston. These cities include Atlanta, St. Louis, and Pittsburgh.

A Microcomputer Package as a Management Tool

There are various other methods of selecting comparable cities that utilize the CCP database, and local communities may wish to establish their own definitions of comparability based upon the questions at hand. To achieve these ends, United Way of America is introducing a microcomputer package that enables local communities to easily and inexpensively access the CCP database. This software is an interactive, menu-driven system that operates on an IBM or IBM-compatible microcomputer.

With this microcomputer package, a local United Way may rank communities on the basis of selected indicators and generate printed reports. One may sort communities on the basis of up to five indicators the user chooses. Communities may be subset into groups according to population size, percent working in county or residence, or any indicator that the users deem pertinent to the problem they are addressing. The CCP microcomputer package will also generate sets of special reports that include "Identifying Key Market Indicators" and "Defining Community Contours," as well as the "CCP City Profile."

The three goals that the Comparative Cities Project Task Group articulated at the onset are well on the way to being realized. Local decision-makers have specific indicators and more general factors for the 288 largest United Way markets available to them. They have the option of using previously tested methodologies or setting their own definitions of comparability. Finally, they have a self-sufficient microcomputer-based tool that provides the vehicle to utilize these data to share strategies and successful programs and to network with comparable communities.

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1. Robert D. Inman, "The Fical Performance of Local Governments: An Interpretative Review," in P. Mieszkowski and M. Straszheim, (ed.), *Current Issues in Urban* Economics, (1979). Robert D. Plotnick and Richard F. Winters," A Politico-Economic Theory of Income Redistribution," *American Political Science Review vol. 79*, (1985). L. Orr, "Income Transfers As a Public Good: An Application to AFDC," *American Economic Review, vol. 66*, (1976). Edward Gramlich, "An Econometric Examination of the New Federalism" *Brookings Papers on Economic Activity*, (1982). Robert Hofferbert, *The Study of Public Policy*, (1974). M. Lewis-Beck, "The Relative Importance of Socio-Economic and Political Variables for Public Policy," *American Political Science Review, vol. 71*, (1977).

2. M. Fax, *A Study in Comparative Urban Indicators: Conditions in 18 Large Metropolitan Areas*, The Urban Institute, (1972). P. Rossi, "Community Social Indicators," in A. Campbell and P. Converse, *The Human Meaning of Social Change* , (1972). M Schneider, "The Quality of Life and Social Indictors Research," *Public Administration Review*, (1976).

3. Robert Pierce, "Rating America's Metropolitan Areas," *American Demographics*, (1985). M. F. Riche, "Directory of Demographic Products and Services," *American Demographics*, (1985).

4. Comparative Cities Project Task Group members are: Clark LaMendola, chairman, (United Way of Southeastern Pennsylvania); Richard Alvarado (United Way of San Antonio & Bexar County); Walter Albers, Jr., (General Motors Research Laboratories); George Bahamonde (United Way of Greater Portland); Ed Dalton, (Bell Communications Research); Paul Englemann (United Way of Greater Chattanooga, Inc.); John Hall (United Way of Tri-State); Robert F. X. Hart (United Way of Southeastern New England); Harve Mogul (The United Way of Allegheny County); Thomas McFalls (United Way of Delaware); Howard J. Nolan (United Way of San Antonio & Bexar County); Madeleine Warns (United Way Community Services); Jack Wilkinson (Sun Company, Inc.).

[*] Mark Miller and Ruth Wasem, "Towards a Socioeconomic and Demographic View of United Way Markets: Identifying Factors and Clustering Cities," United Way of America (1985) unpublished. Mark Miller also played a critical role in the development of the database.

[#] The views presented in this paper are those of the author, and do not necessarily reflect those of United Way of America.

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FIGURE 1

Comparative Cities Project
Key Market Indicators
Boston's Occupation Groups

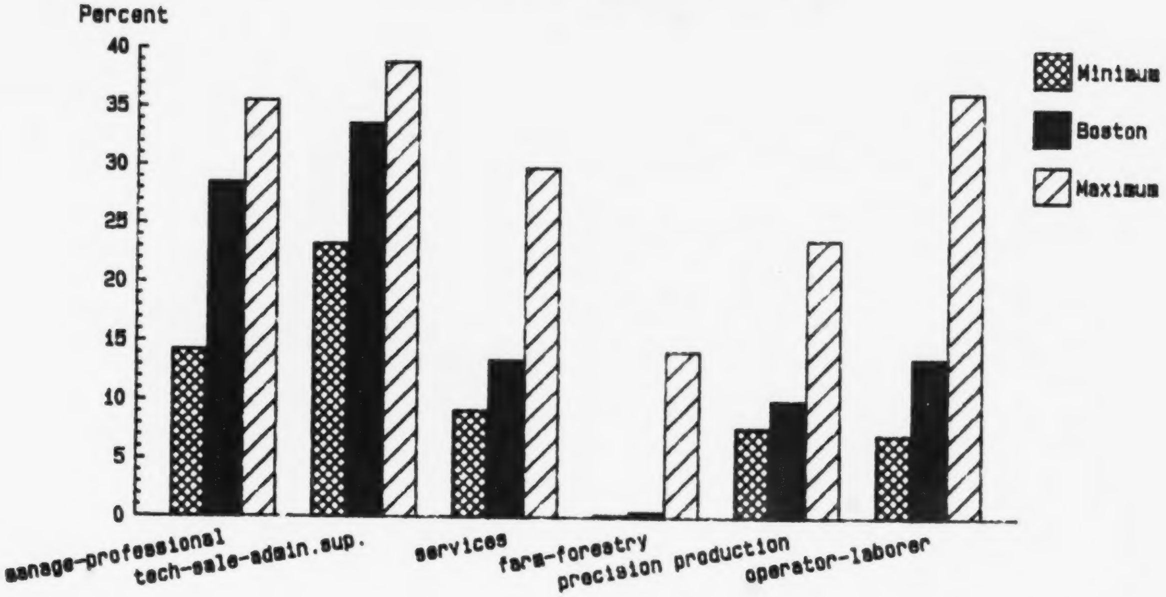


FIGURE 2

Comparative Cities Project
Boston Comparable Cities
Personal Income Contour

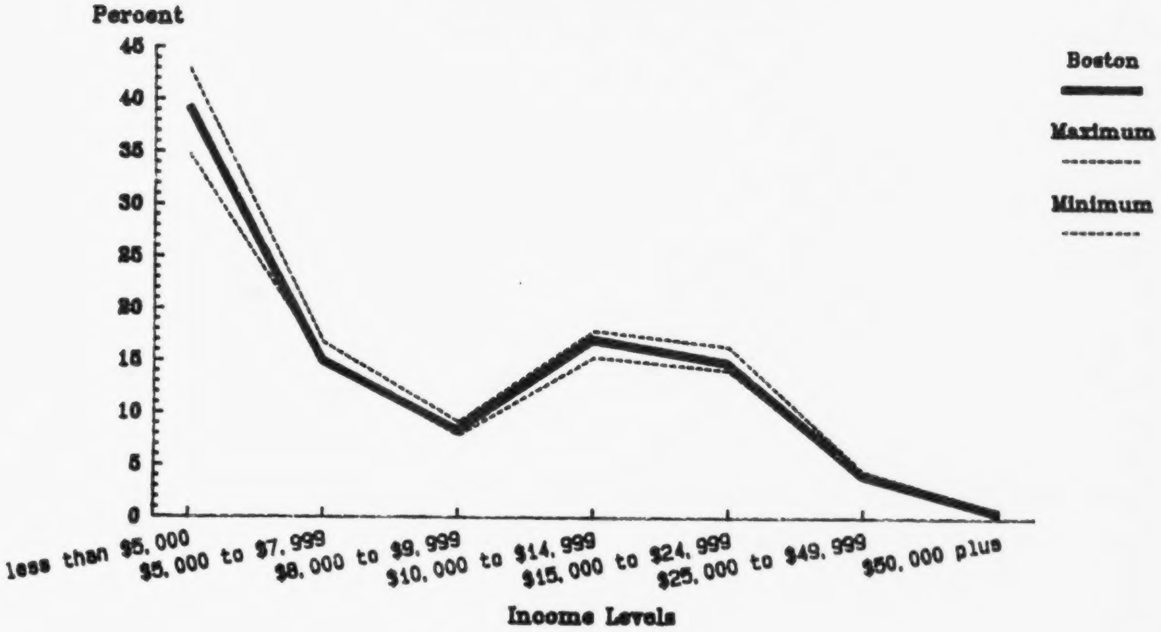


FIGURE 3

Comparative Cities Project
Top 25 United Way Markets
Household Income Distribution

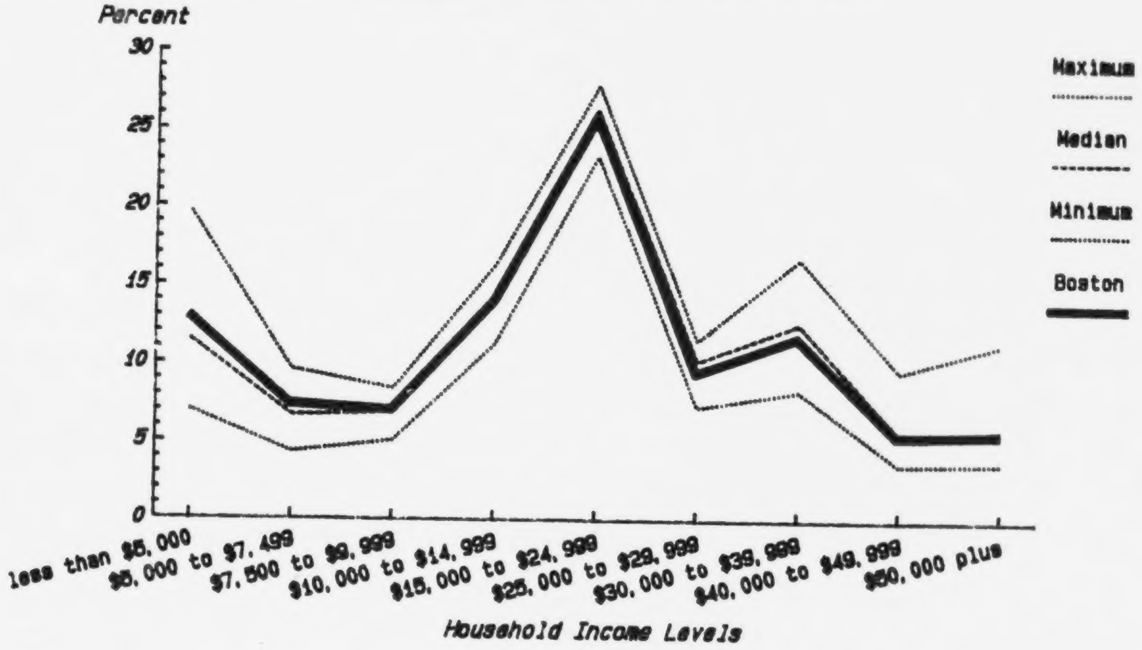
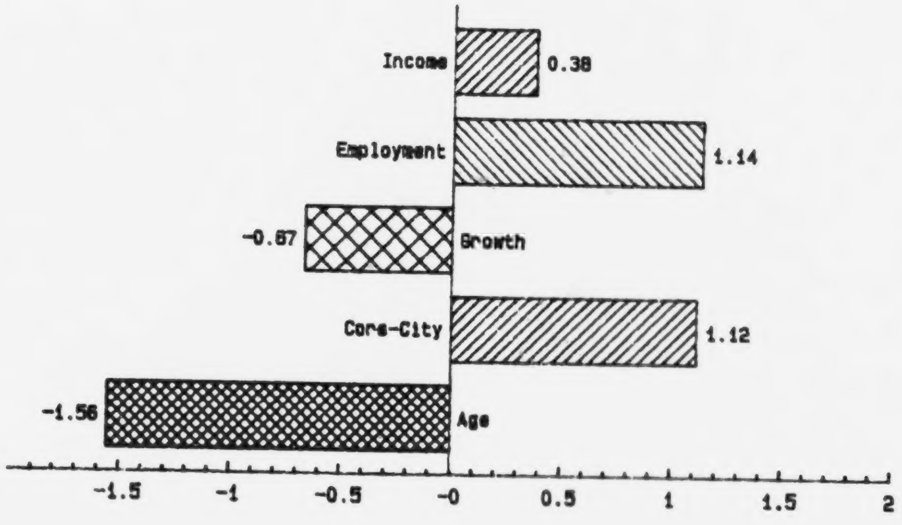


FIGURE 4

Comparative Cities Project
Five Socioeconomic Dimensions
Boston's Factor Scores



APPENDIX A(1)

BOSTON: POSSIBLE COMPARISON CITIES

City	% Non-Family		% Rental		KEY MARKET INDICATORS % Services Trade		% Manage. Professional		% Less than 5 Yrs.		Grand Total
Boston, MA	32.4	18	48.3	8	34.8	25	28.6	28	5.5	279	
Atlanta, GA*											3
Baltimore, MD											1
Chicago, IL			45.20	20							5
Dallas, TX											2
Detroit, MI											3
Los Angeles, CA	33.3	12	51.5	5							2
Miami, FL			45.5	18					5.8	268	4
New York, NY	36.6	5	76.6	1	34.8	24					7
Philadelphia, PA*											5
Pittsburgh, PA*									5.6	273	6
San Francisco, CA	37.1	3	46.9	10							3
St. Louis, MO*											3
Washington, DC*	32.2	22	46.2	14	36.2	16	35.6	1			6

APPENDIX A(2)

BOSTON: POSSIBLE COMPARISON CITIES

City	% Aged 5-9 Yrs.		% Unpaid Family Worker		% Agric. Forestry-Mine		% Occupation Farm-Forestry		% Occupation Precision Prod.		Grand Total
	KEY MARKET INDICATORS										
Boston, MA	6.0	273	0.2	278	0.6	277	0.6	270	10.1	268	
Atlanta, GA*							0.6	265			3
Baltimore, MD											1
Chicago, IL					0.5	280	0.4	285			5
Dallas, TX							0.7	264			2
Detroit, MI					0.5	282	0.4	281			3
Los Angeles, CA											2
Miami, FL	6.3	263									4
New York, NY*			0.2	276	0.2	287	0.3	287	8.4	284	7
Philadelphia, PA*					0.6	275	0.5	278			5
Pittsburgh, PA*	6.1	271					0.5	273			6
San Francisco, CA	5.8	278									3
St. Louis, MO*											3
Washington, DC*			0.2	287					7.7	288	6

APPENDIX A(3)

BOSTON: POSSIBLE COMPARISON CITIES

City	Age	Education	Occupation	CONTOURS Income Personal	Population	1984 Amount Raised		Grand Total
Boston, MA					2,388,318	$35,236,864	$14.75	
Atlanta, GA		X		X	1,916,200	$30,723,014	$16.03	3
Baltimore, MD			X		2,220,600	$27,731,212	$12.49	1
Chicago, IL*	X		X		5,562,821	$83,062,661	$14.93	5
Dallas, TX		X			1,688,600	$29,338,356	$17.37	2
Detroit, MI			X		3,633,855	$51,169,967	$14.08	3
Los Angeles, CA					7,721,398	$12,648,414	$ 9.41	2
Miami, FL			X		1,764,500	$15,523,084	$ 8.80	4
New York, NY					7,012,200	$59,700,000	$ 8.51	7
Philadelphia, PA*	X		X	X	2,608,178	$44,011,909	$16.87	5
Pittsburgh, PA*	X	X	X		1,699,192	$28,207,525	$16.60	6
San Francisco, CA					3,354,800	$41,853,420	$12.48	3
St. Louis, MO*	X		X	X	1,917,600	$32,515,430	$16.96	3
Washington, DC*					3,066,300	$43,523,954	$14.19	6

COMPARATIVE CITIES PROJECT
LISTING OF CLUSTER FOUR COMMUNITIES

OBS	CITY	STATE	FACTOR ONE	FACTOR TWO	FACTOR THREE	FACTOR FOUR	FACTOR FIVE	CLUSTER
1	SANTA BARBARA	CA	0.16697	1.22060	1.2316	0.0886	-0.4074	4
2	HARTFORD	CT	1.25743	0.59221	-0.8383	0.2654	-0.8928	4
3	MERIDEN	CT	0.49023	0.01876	-1.0955	0.0350	-0.6103	4
4	MIDDLETOWN	CT	1.25425	0.19090	-0.5426	-1.2573	-0.4715	4
5	NEW HAVEN	CT	0.48887	0.02376	-1.0767	0.0789	-0.6528	4
6	WATERBURY	CT	0.62273	-0.18652	-0.8301	-0.3168	-0.7756	4
7	WILMINGTON	DE	0.19650	0.51416	-0.4064	0.3371	0.1887	4
8	ATLANTA	GA	0.60452	0.63712	0.3625	1.7339	0.4127	4
9	SPRINGFIELD	IL	0.22683	0.98766	0.6310	-0.0348	-0.5810	4
10	INDIANAPOLIS	IN	0.44462	-0.17368	-0.3667	0.5007	0.2619	4
11	DES MOINES	IA	0.60579	0.30247	0.5821	0.2681	-0.5953	4
12	TOPEKA	KS	0.33020	0.78824	0.5172	-0.0685	-0.9584	4
13	BALTIMORE	MD	0.51152	0.64976	-0.8155	1.4146	-0.0990	4
14	BOSTON	MA	0.38427	1.14009	-0.6680	1.1169	-1.5614	4
15	LAWRENCE	MA	0.70909	0.49332	-0.5040	-0.0852	-1.2167	4
16	DETROIT	MI	0.79597	-0.41663	-1.2582	1.6923	-0.2059	4
17	MINNEAPOLIS	MN	1.33589	0.70496	0.2770	0.1452	-0.4457	4
18	ST. PAUL	MN	1.04719	0.88523	-0.0703	0.1325	-0.4393	4
19	KANSAS CITY	MO	0.75646	0.02745	0.1569	0.7814	-0.4478	4
20	ST LOUIS	MO	0.46408	-0.10981	-0.5640	0.9388	-0.2955	4
21	OMAHA	NE	0.43163	0.26829	0.4428	0.5210	-0.1374	4
22	MT. HOLLY	NJ	1.24302	0.14885	-0.2053	-0.2608	0.6617	4
23	CAMDEN	NJ	0.39967	-0.12504	-0.5227	1.4138	-0.1570	4
24	MILLTOWN	NJ	1.71816	0.46540	-1.3708	-0.3862	-0.3496	4
25	TOTOWA	NJ	0.26509	-0.70208	-0.9454	1.2943	-0.2255	4
26	PRINCETON	NJ	0.83549	1.02330	-1.2841	0.3239	-0.2781	4
27	TRENTON	NJ	0.43261	1.15657	-1.3359	0.5932	-0.1827	4
28	ALBANY	NY	0.13509	1.61191	-0.8404	0.0189	-0.8513	4
29	BUFFALO	NY	-0.17637	0.22497	-1.4147	0.4248	-0.9793	4
30	POUGHKEEPSIE	NY	0.77910	0.74816	-0.6602	-0.8119	-0.0494	4
31	ROCHESTER	NY	0.71894	0.33337	-1.0209	-0.2610	-0.2958	4
32	SCHENECTADY	NY	-0.12693	0.29712	-0.6970	-0.4911	-1.4191	4
33	SYRACUSE	NY	0.21804	0.68581	-0.7798	-0.0127	-0.4931	4
34	TROY	NY	-0.47860	0.87301	-1.0097	-0.0411	-0.6289	4
35	CINCINNATI	OH	0.37416	-0.18487	-0.7204	0.4654	0.0554	4
36	CLEVELAND	OH	0.39876	-0.41199	-1.0477	1.0793	-0.7659	4
37	COLUMBUS	OH	-0.05405	1.21242	-0.3882	0.5855	0.3829	4
38	PORTLAND	OR	0.44452	0.08632	0.8392	0.2099	-0.3337	4
39	CHESTER	PA	0.87254	0.10930	-0.8722	0.1041	-1.3800	4
40	DOWNINGTON	PA	1.72318	0.61140	-0.4703	-0.9220	0.0405	4
41	PITTSBURGH	PA	0.15104	-0.08959	-0.9328	0.2674	-1.6925	4
42	NASHVILLE	TN	0.00550	0.43294	-0.2342	0.5871	-0.0227	4
43	RICHMOND	VA	0.23485	0.67057	-0.7376	1.0444	-0.0725	4
44	MILWAUKEE	WI	0.29465	-0.27804	-0.7482	0.6393	-0.2068	4

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CHAPTER NINE - PHILANTHROPY ABROAD

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WORKING DRAFT

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THE CHURCH, VOLUNTARY ORGANIZATIONS AND DEVELOPMENT IN SOUTH AFRICA

by
Brian H. Smith

Prepared for
Philanthropy Abroad Panel
March 14, 1986

This paper is part of a larger four-year study, field research and data analysis for which have been supported by the Program on Non-Profit Organizations (PONPO) of the Institution for Social and Policy Studies at Yale University, the National Endowmwnt for the Humanites, the Fulbright Research Fellowship Program, the Social Science Research Council, and the Institute for the Study of World Politics.

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EXPANDING ROLE OF RELIGIOUS AND SECULAR NONPROFITS IN LATIN-AMERICAN SOCIOECONOMIC DEVELOPMENT AMONG THE POOR

Since the late 1960s there has been a proliferation of nonprofit development organizations throughout Latin America geared towards providing a variety of social services to low-income rural and urban workers. The majority of these organizations originated under Church auspices (and most still have some formal or informal Church linkage), but over the past ten years a growing number have become independent secular institutions. They now number in the thousands (averaging from 200 to 300 in most of the twenty countries in Latin America). The services they provide range from legal defense and assistance, technical training, credit, prefabricated housing, basic health, popular education, nutrition, the promotion of production and marketing cooperatives, small artisanry and commerce, and applied research on socioeconomic problems. Most of these nonprofits assist and support local community organizations at the grassroots level run by the poor which they are attempting to strengthen and make more self sufficient. The amount of funds managed by these nonprofit institutions throughout Latin America now totals several hundred million dollars annually and is growing steadily.[1]

The reasons for the proliferation of the nonprofit sector to serve the poor during the last fifteen to twenty years have had to do with changes in churches, in the domestic economic and political context in Latin America, and as a result of new trends in international philanthropy from North Atlantic countries.

Starting in the 1960s the Catholic Church in Latin America began to focus more of its attention on low-income sectors who are living in chronic substandard conditions (forty percent of the population earning less than the legal minimum income). The growing attraction of Marxism among the poor, conversions being made among peasants and workers by Protestant churches (especially fundamentalist sects), and stimuli from the Vatican and regional bishops' meetings to make social justice an integral part of the Catholic Church's mission (Second Vatican Council, social encyclicals of Popes John XXIII and Paul VI, the 1968 Medellín conference of Latin American bishops) all precipitated a greater concentration of Catholic Church resources -- including the creation of new nonprofit service institutions closely linked to the Church -- on meeting the religious and socioeconomic needs of the poor.[2]

Economic changes in Latin America beginning in the mid-1970s also stimulated the need for alternate forms of socioeconomic assistance to the poor (who consitute about two-thirds of the population in all Latin American nations). An era of austerity was imposed after 1974 by many Latin American governments due to the rapid increase of spending on imported oil needed for industrialization, growing inflation, and mounting foreign debt to private banks. This resulted in cutbacks in what little public services in health, education, nutrition, credit and training existed for low-income sectors, with churches and other nonprofit organizations having to increase their services to fill the gap.

The mid-1960s to the mid-1970s was also an era of widespread political autoritarianism in Latin America, with military governments either coming to power (in Brazil, Peru, Bolivia, Chile, Uruguay, Argentina, Ecuador, Panama, and Honduras) or strengthening their control over countries where they already had power (in Paraguay, El Salvador, Guatemala, and Nicaragua). In most cases (Peru, Ecuador and Panama being the exceptions), these governments used very repressive strategies to curb growing political mobilization (and in some cases, revolutionary violence) by leftist parties and movements demanding significant change in economic and political structures on behalf of the poor. These military governments suspended constitutional guarantees, ousted, tortured and killed real or suspected insurgents, outlawed, or placed in recess, center and center-left political parties, trade unions, and civic associations, and intervened in universities to root out what they considered to be subversive professors and curricula.

With other forms of political and social participation destroyed or severely curtailed, church programs -- and other nonprofit service organizations -- became surrogates for many intellectuals, political and labor leaders, and professionals persecuted by military regimes. These institutions became the means whereby such groups could continue (or supplement) their lost or diminished employment opportunities and also continue some form of service (or contact) among low-income sectors.[3]

Finally, new trends in international philanthropy provided the needed financial resources for these new nonprofit organizations in Latin America to support socioeconomic projects at the grassroots level among the poor. Beginning in the 1960s during the United Nations' First Development Decade traditional overseas relief agencies in the United States began to shift their attention away from strictly emergency and assistential work to long-term development programs aimed at the underlying causes of human suffering abroad -- underdeveloped health and educational facilities, lack of access to credit, training, and population-control information, and weak bargaining power by the poor due to lack of effective organization. At the same time new private voluntary organizations (PVOs) in the United States as well as in Canada and in Western Europe were created in the 1960s and 1970s to address specifically these structural issues in the third world. Many PVOs (especially in Canada and Europe) aimed at supporting counterpart nonprofits overseas not only administering technical programs as a solution to poverty but also building and sustaining grassroots organizations among the third world poor that were pushing for economic and political change in their own local and regional environments.[4]

Moreover, most North Atlantic governments since the mid-1960s have been channeling increasing amounts of their own development assistance through these aid-sending PVOs home-based in their own societies (numbering now close to 2,000). Governments consider them to be more cost-effective and innovative than public institutions in meeting basic human needs, especially among the bottom forty percent of the population in developing countries who live in isolated areas or who are not adequately served by public programs. As a result, the amount of financial and material resources transmitted to third-world countries annually by North Atlantic PVOs (all of which goes to private nonprofit counterparts abroad) grew from about $400 million in 1964 to $3.5 billion in 1984, approximately forty percent of which ($1.4 billion) now originates from North Atlantic government aid agencies. While the bulk of the resources channeled through the North Atlantic nonprofit sector for overseas aid goes to private organizations in Africa and Asia (due to the severity of poverty and hunger in these regions), on the average between one-fourth and one-third is sent to Latin American PVOs.[5]

CRITICAL ISSUES THAT NEED TO BE ADDRESSED IN RESEARCH

The recent expansion of the nonprofit sector in Latin America (spawned largely under Church auspices, but increasingly becoming more independent of formal ecclesiastical control) to serve the needs of the poor with international private and public resources raises many interesting questions. Given the limits of space in this short paper, I have chosen two areas that I believe are most critical since information on these issues can be very helpful to practitioners and scholars to sharpen their conceptual framework and promote better alternate development strategies to alleviate the effects of poverty among the poorest abroad. These issues, and the specific questions under each heading, are the following:

(1) The effect of this assistance on the poor themselves in Latin America

How much of this assistance actually reaches the grassroots level and what impact does it have on the quality of life of the poor? Does it promote self-reliance among the poor or is it so small that it is ineffective? How do the poor themselves relate to these new PVOs, and are the PVOs sensitive to their input in decision making?

(2) Relationships of Latin American PVOs with other institutions in their societies

Do the strategies of the new nonprofits in Latin America stimulate better policies toward the poor by domestic governmental agencies through innovative, cost-effective services that public institutions can and do replicate -- or by increasing the bargaining capacity of grassroots organization to demand more and better services from government? Are the Latin American PVOs successful in stimulating greater domestic philanthropy in their own societies so as gradually to delink from international aid and also get more of business community in their countries involved with solving socioeconomic problems of the poor? How do these new PVOs relate to other significant institutions in their local environments, such as churches, political parties, trade unions, and universities (from which they draw much of their staff)? Are they manipulated by those other organizations (e.g., for converts, votes, new recruits, money), or do they have a catalytic effect in making such institutions more responsive to the interests and needs of the poor?

EXTANT RESEARCH ON THESE ISSUES

Effect of nonprofit aid on the poor

Evaluations of grassroots projects among the poor supported by Latin American nonprofit organizations with international private funds are quite uneven in quality. Neither the North Atlantic donor PVOs nor the Latin American PVOs at present have sufficient administrative staff or funds to carry out thorough evaluations. The grassroots community groups who receive assistance carry out with the Latin American PVOs informal self-evaluations of the projects but provide only very general information to the funding PVOs about their activities. It is hard to judge by such self-evaluations what the actual impact of the aid is other than reading that a certain number of people were trained, fed, etc.

Foreign government agencies who subsidize such activities indirectly (such as the U.S. Agency for International Development [AID]), as well as donor PVOs (such as Lutheran World Relief and CARE in the United States, and CEBEMO in the Netherlands) in the last five years have been focusing more attention on the issue of project evaluation and have been setting aside more funds for Latin American PVOs to hire outside evaluation consultants or to train Latin American PVO staff to upgrade their own evaluation capacities.[6] One study of seventy-five evaluations of PVO projects in third-world countries (including Asia, Africa and Latin America), all subsidized by AID, indicated that many of the myths about PVO projects abroad are not necessarily true -- many do not reach the poorest but help those low-income sectors with some resources already (land, literacy, etc.); many provide services no different from those of government agencies and are not at all innovative; many are not participatory in design or operation but vertically administered by third-world PVOs. The study also indicated that these evaluations did not attempt to assess the wider impact of the projects in their environments but were focused almost exclusively on the direct beneficiaries (who are often small in number) and relied for information exclusively on beneficiaries themselves or the staffs of the third-world sponsoring PVOs.[7]

My own research in Chile in 1975 and in Colombia in 1984 confirm these findings. Evaluations of Latin American PVO-sponsored projects are still in their nascent stages, often do not include impact audits of the effect beyond the specific projects and the life-span of foreign grants (one to three years), and largely are written in very general terms by the Latin American PVO staff or the grassroot groups receiving its assistance. Through interviews with PVO staffs, as well as visits to several grassroots projects sponsored by PVOs in both Chile and Colombia, I did find that the majority of programs reach those well below the minimum income level in both countries. They provide services not ordinarily available through public agencies and often maximize the input by local grassroots participants (especially through voluntary manual labor). In many cases the local groups being supported by domestic PVOs are building or strengthening their own local community organizations through the specific projects. It was rare, however, to find examples of self-reliance among the grassroot groups as a result of PVO aid, or evidence that it would occur soon. Some revolving loan funds and production cooperatives in Latin America have been able to generate sufficient income to be self-sustaining, but most of the projects I saw (or was told about) in Chile and Colombia continue to need ongoing support (financial and technical) since they are not income generating but rather focused on training, health, nutrition and adult education.[8]

Moreover, the extant research thus far has provided very little information on how Latin American PVOs themselves actually function administratively, what the professional capacities are of their staffs, how much they involve community groups who are beneficiaries of their aid in decision making about projects, whether or not they are enabling community organizations to become administratively more competent themselves eventually to handle larger sums of foreign assistance without the intermediation of the Latin American PVOs, and what happens to those grassroot groups the PVOs no longer help.

There are scholars and practitioners who believe that some of these third-world PVOs who act as intermediaries between international private funding agencies and the poor at the grassroots level may be becoming entrenched bureaucracies and employment providers for professionals or political leaders who need jobs or supplementary income. One estimate is that only between five and thirty percent of resources coming from abroad actually reaches the grassroots level in Latin America with the rest spent on local PVO staff salary, travel, and other administrative expenses.[9]

While such criticisms do not necessarily detract from many of the important and needed services these new PVOs are undoubtedly providing to low-income groups, we clearly need much more research on all of the above-mentioned administrative issues as well as more and better evaluations of the actual impact of PVO services on the quality of life of beneficiaries. Both the Office on Private and Voluntary Development Cooperation in AID and the Inter-American Foundation (a U.S. government agency that supports private grassroots development efforts in Latin America) are beginning to amass considerable information on private development organizations in Latin America but greater dissemination of the data (and use of it) by North Atlantic PVO donors and Latin American counterpart PVOs is necessary.

Impact of Latin American PVOs on Other Domestic Institutions

Since there are up to four thousand Latin American development-oriented PVOs receiving $800,000.000 or more annually from North Atlantic donor PVOs, the average amount available for any one PVO is relatively small ($200,000 or less). If two-thirds or more of these funds are spent on administrative costs incurred by the Latin American PVOs, and each supports anywhere from one to fifty grassroots groups, the amount of funds available for actual use by local community organizations is quite small (a few thousand dollars on the average). Even with more fine-tuned evaluations one would not expect such small amounts of money by themselves to make a significant dent on solving the problems of poverty. What the more important contribution of such activities will be over the long run is if they can act as catalysts stimulating by example or pressure (or both) more resources and better policies towards the poor by larger insitutions in these countries expecially government, business, political parties, trade unions and universities.

Thus far the extant research on this catalytic effect of Latin American PVOs on public policymaking and domestic philanthropy is not encouraging. There is often anti-government bias found among the staffs of Latin American development-oriented PVOs (not surprising since many, as reported earlier, came to PVOs after having been expelled from other institutions -- universities, political parties, unions -- because of the repressive policies of governments). Even in situations where this was not the reason for their creating or joining new PVOs, there is still a widespread antipathy among Latin American PVO staff personnel toward governments since they believe public agencies are too rigid, centralized, bureaucratic and generally insensitive to the poor to be improved through ongoing cooperation or sharing with PVOs. PVOs are also fiercely independent and afraid of being swallowed up if they try to cooperate with large public agencies, or of being pre-empted if governments should ever replicate their programs on a larger scale. Institutional self-preservation and defense of one's turf is a major (although often unvoiced) objective among these new small organizations, and it is not likely to subside in the near future.[10]

Most Latin American governments, in turn, view the new PVOs as too small and numerous to provide their own service programs with any feasible and coherent strategies that can be replicated on a larger scale. There has been some evidence that with the current decline of authoritarian regimes in Latin America in the early 1980s, (in Brazil and Peru) -- especially at the local level -- are asking PVO staff to advise them on how to establish public programs in appropriate agricultural technology among the rural poor (fertilizer, credit) and to cooperate with them in relating better to, and serving, neighborhood slum organizations.[11] It is too early to say what impact such dialogues will have on public policies in those countries since conversations are still at the exploratory stages. And in both countries (Peru and Brazil) substantial foreign debt payments and austerity measures limit the amount of public funds available for new service programs for the poor.

PVO impact on domestic philanthropy has also not been significant to date. There has not been a strong tradition of institutionalized philanthropy in Latin America. The current economic crisis resulting from the foreign debt problem and the world recession in the early 1980s is subsiding gradually, but local Latin American corporations do not have comfortable profit margins to provide considerable amounts of philanthropy at the moment.

In Colombia a combination of tax laws and a sense of social responsibility on the part of many businessmen led to the establishment in the 1960s and 1970s of a dozen private foundations throughout the country that contribute to service programs for low-income sectors in recreation, health, housing, small- business training, and credit. Because of this, Colombia has the best developed system of organized philanthropy throughout Latin America. The new development-oriented PVOs in Colombia receive some assistance from such foundations, but many of the programs such foundations are willing to support (e.g., in housing, construction and small business assistance) are in the form of loans, not grants, and calculated to minimize risk. Hence, those able to benefit from such assistance are in the lower-middle class or relatively well-off members of the working classes. Business organizations supporting such foundations want to increase production and investment capacities in the country which can benefit their own enterprises, and the bottom forty percent of the population below the minimum income level are nowhere near being able to contribute to this goal at the present time due to their lack of skills, capital, and ability to absorb significant size loans.[12]

Finally, we need much more research on relations between these new PVOs and other institutions from which they draw their personnel and with which they have ongoing contact -- churches, political parties, universities. The majority of these new PVOs in Latin America continue to maintain some linkage with the Church, if only in terms of close friendship ties with clerics who helped found them or with some official Church representation their boards of directors (primarily for fundraising purposes abroad). More and more of them are becoming legally separate from ecclesiastical control, however, since their staffs are almost all laity (many of whom are not formal Church members). Moreover, Church leaders themselves want to focus more of ecclesiastical energies and resources on direct religious work as the emergency economic and political crises of the 1970s are now subsiding.

These PVOs have certainly helped sensitize the Church to the needs of the poor and concentrate more of its attention on low-income needs. Around these PVOs when they were created ten to fifteen years ago sprang up a whole new series of religious projects (ecclesiastical base communities - CEBs) in working-class areas (often staffed by residents themselves rather than by clerics) -- bible study circles, prayer groups, catechetical training programs. These CEBs have now become regular parts of the Catholic Church's structures in Brazil, Chile, Peru, Paraguay, El Salvador, Guatemala and Nicaragua -- making Catholicism in those countries resemble more the Protestant churches, and giving it more rootedness in the environment of peasants and urban workers.[13]

These new social and religious programs, however, have also drawn the Church more deeply into politics. These new PVOs, as well as the CEBs, in the 1970s did provide employment or protection for those in trouble with, or in opposition to, autoritarian governments. In some cases, the personnel trained in the CEBs became directly involved in armed opposition to repressive governments, and the PVOs provided social services for families related to guerrillas or living in areas where the guerrillas dominated (especially in El Salvador, pre-revolutionary Nicaragua, and Guatemala).[14]

More research is needed as this phenomenon of politicization of the Church and the implications for its long range religious ministry. Over the past several years the Vatican has become increasingly concerned about what it considers the manipulation and subversion of religious symbolism and structures for leftist political purposes in Latin America, and has issued several warnings against these dangers.[15]

There is, however, an equal danger of political manipulation of the Church from the Right. An increasing number of social service organizations associated with fundamentalist missionary organizations have emerged over the past decade in Latin America (including those sponsored by the Unification Church of Rev. Moon). Some scholars and journalists believe these groups use their social services to gain conversions and limit their aid only to those active in their church's religious activities. Such critics also argue that, due to their heavily anticommunist ideology, these fundamentalist groups work closely with authoritarian right-wing governments and security forces in Latin America to gather information on possible political subversives and to draw the poor away from more progressive and change-oriented liberal Protestant and Catholic Church-sponsored pastoral or social programs.[16] Much more research is needed on these fundamentalist organizations in Latin America and their use of social services (supported by contributions primarily from the United States) for political purposes.

There is almost no research on what relations the new Latin American PVOs have with political parties, labor organizations, and universities. In countries such as Chile, Bolivia, Brazil, Peru and post-revolutionary Nicaragua these PVOs maintain close associations with center and center-left political parties. PVO [illegible] personnel in many instances in these countries are party members or strong party sympathizers. In some cases party ideologies are injected into PVO criteria or programs, and in [illegible] funds for social service projects are siphoned off into election campaigns (especially in Bolivia where PVO-party ties are the closest in Latin America). PVOs, in turn, in these countries have provided a communication link to grassroots groups for parties, and made them more sensitive to human rights issues as well as to other of the needs and interests of low-income groups.[17]

In the case of Brazil and Chile, moreover, leaders of new trade union organizations (that were created from the grassroots up in the 1970s, instead of in the traditional Latin American top-down fashion) have come out of training programs sponsored by PVOs with foreign financial assistance. These new labor organizations are much more democratically administered than older labor organizations and not tied to governments as creatures of the state (the traditional Latin American pattern).[18] More research is needed on this new phenomenon, what impact it is having on the wider trade union movement in these countries, and whether it will be sustained in the future. It could be a very important contribution of Latin American PVOs to the process of redemocratization now underway in many countries.

Finally, the PVO-university link needs more study. Many PVO staff personnel came out of university backgrounds, and some have been able to continue part-time teaching in universities. In addition to political repression and purging of academic institutions as a reason why many Latin American intellectuals severed all or part of their connections with universities in the

1970s was the fact that some found the type of research and teaching in such institutions too theoretical and unconnected with the practical problems of development.[19]

Some of these PVOs themselves, in fact, have developed into highly respected research institutes on practical development problems, and have provided important alternate perspectives on these and other political and economic issues while the military was in power in several Latin American countries. Now that redemocratization is occurring throughout Latin America it would be important to know if they will become more influential in unversity circles again and if the style of applied research they have developed in PVOs will stimulate greater commitment on the part of university technical and social science faculties to finding practical solutions to problems of poverty in their countries.[20]

THE USE OF THIS RESEARCH

As research on the role of development-oriented PVOs in Latin America grows and studies become more available,they could be used by donor groups in North Atlantic countries (private citizens, aid-sending PVOs, government agencies that provide subsidies) to make more informed decisions about which Latin American PVOs to assist based on performance, impact, etc. Governments might learn how to improve their own overseas aid programs from PVO experiences. Scholars interested in development might also have a better understanding of what alternate development initiatives are succeeding the most in alleviating poverty abroad. In the very least, myths about the comparative advantages of PVOs would be clarified for all parties concerned (subsidizing governments, donor PVOs, private contributors, scholars). Presumably also Latin American PVOs themselves would be able to use such research to fine-tune their own programs and decisions and prioritize their activities in those areas where they do have a catalytic effect in drawing more domestic resources (local government, philanthropy) into areas of concentrated poverty.

While all these are possible uses of the research that is beginning, there are also obstacles to its utilization both in the North Atlantic region and in Latin America. Donor PVOs in the North Atlantic region are badly understaffed in the area of information retrieval and evaluation. They also do not want their "articles of faith" tested nor their popularity damaged by critical studies. Governments who subsidize them do not use such studies to alter their own official aid programs which are much larger in scope and generally not geared to helping the poorest sectors abroad. Inbuilt bureaucratic limitations prevent them from really learning from PVOs. Private donors to PVOs in North Atlantic countries do not demand much information about the overseas activities. They are still (especially in the United

States) largely motivated by humanitarian and emotional appeals and not interested in more abstract issues such as structural change which PVOs (both donor PVOs and Latin American PVOs) now emphasize.

Moreover, in Latin America the staffs of the new PVOs don't want to provide more information to North Atlantic donors (PVOs, citizens, and governments) about what they do. They argue that more exposure could ultimately hurt their beneficiaries (if their own or foreign governments had more data on their work), and for true partnership to exist between them and North Atlantic sponsors they should be trusted and not scrutinized. Their arguments (which may be true) also can mask other interests --- e.g., inefficiency, overactivism, siphoning of funds for other purposes.[21] Whatever the real motives of PVOs in Latin America, there is no eagerness on their part for more research into their activities nor evaluation of the grassroots projects they sponsor. In their perspective, more data (even if, and when, available) will restrict, not expand, their freedom of action.

For all of these reasons, the use of current and future research on Latin American PVOs has a narrow attentive public at the present time. The studies now being done (by scholars and consultants), and the data being amassed by government agencies subsidizing private development organizations in Latin America (AID, IAF) are not likely to be utilized by practitioners in the PVO network in a very systematic way in the foreseeable future.

Notes

[1] See Fernandes, 1985; Padrón, 1982.

[2] See Smith, 1975, 1980, and 1982a; Bruneau, 1974 and 1982; Levine, 1981; Berryman, 1984; Cleary, 1984.

[3] See Fernandes, 1985; Smith, 1980 and 1982 a.

[4] See Sommer, 1977; Lissner, 1977; Bolling, 1982; Gorman, 1984.

[5] See Schwartz, 1978; Smith, 1986; OECD/DAC.

[6] See Santo Pietro, 1983.

[7] See Tendler, 1982.

[8] See Smith, 1982b; Smith, 1984 and 1985.

[9] See Morss and Morss, 1982; Interview with Dr. Hans Hoyer.

[10] See Padrón, 1982; Smith, 1986.

[11] Interview with Dr. Hans Hoyer.

[12] The average amount of loans provided by these foundations in Colombia to small businesspersons ranges from $1500 to $2000. To receive these beneficiaries must be engaged in production (not commerce) and show a significant amount of collateral (land, bank savings). Those in the bottom forty percent of the population are small street merchants possessing very little, or poor, land and no capital assets. It is this second group that Colombian PVOs try to reach, and in so doing are not eligible for assistance from domestic foundations. See Smith, 1985.

[13] See Bruneau, 1974 and 1982; Smith, 1982a; Berryman, 1984; Cleary, 1984.

[14] See Montgomery, 1983; Berryman, 1984; Dodson, 1986.

[15] See Macridis, 1986.

[16] See Hvalkof and Aaby, 1981; Simon, 1982; Ezcurra, 1983.

[17] See Fruhling, 1985; Interview with Dr. Hans Hoyer.

[18] See Alves, 1986.

[19] See Fernandes, 1985.

[20] One very positive example of this is the interest on the part of several universities in Chile to have both faculty and students participate in the design and implementation of self-reliant organic forms of agriculture among low-income urban and rural families sposored by the Centro de Educación y Tecnología (a new Chilean PVO working in this area). See Centro de Educación y Tecnología (CET), 1985.

[21] David Barrett, a research consultant to the Foreign Mission Board of the Southern Baptist Convention, has begun publishing annual global statistics on religious mission and service organizations. He believes that these is a growing problem of embezzlement of church funds abroad, amounting to $64 million in 1986 (out of the $7.5 billion 1986 income of global foreign missions). He concludes:

> ...In the third world, ecclesiastical crime has now reached serious proportions. Whereas 95 percent of church leaders there are honest persons of integrity, some 5 percent have become small-time ecclesiastical crooks embezzling sizable church funds, overseas grants, relief donations of foreign currency, or setting up phony relief or third-world-mission projects. A major factor contributing to this rash of petty crime has been the reluctance of Western donor agencies to enforce strict accounting for the large sums of money they unload on third-world churches every year. Barrett, 1986.

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WORKING DRAFT

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INTERNATIONAL AND AFRICAN VOLUNTARY ORGANIZATIONS AND DEVELOPMENT IN WEST AFRICA

by
Helmut K. Anheier

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Initial funding for a comparative study of PVO's in West Africa was provided by the Program on Non-Profit Organizations, Yale University. Funding by the Ford Foundation, West Africa Field Office, Lagos, provided me with the rare opportunity to compare the role of PVO's in three African countries.

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INTRODUCTION

In recent years, international and indigenous voluntary organizations (PVOs) have indubitably achieved greater importance in development efforts in Africa. While conventional development approaches continue to be heavily criticized for having contributed much to the present problematic situation in many third world countries (Lappe, Collins and Kinley 1980; Jackson 1982; Payer 1982; Griffin 1977; Ayres 1983), PVOs are receiving much credit. PVOs have also gained a greater status in financial terms. Whereas disappointment in official government programs is growing, PVOs have gained such prominence that "development transfers through PVOs have become big business " (Rice 1983:7). Annual net resource transfers to developing countries in the form of PVO-grants increased from $857.8 million to $2.31 billion in 1982 (OECD 1983). In 1982, PVO transfers constituted 8.6% of the official OECD bi-lateral, 31% of the multi-lateral, and 84% of the CMEA bi-lateral development assistance.

PVOs, it seems, are the organizational innovators in the Africa of the 1980's. Smith (1984:17) lists a number of comparative advantages of PVOs over the government: smallness, good contacts at the grass-root level, freedom from political constraints, innovativeness, flexibility and labor intensiveness. PVOs are believed to have fewer overhead costs, to rely less on bureaucratic procedures, and to be less influenced by unstable political systems. PVOs tend to carry out small-scale projects, aim at self-reliance, and show a tendency to generate new, innovative projects (Betts 1978; Bolling and Smith 1982). PVOs, as advocates of the marginalized strata of third world societies, try to stimulate participation of the poor (Lappe, Collins and Kinley 1980; Streeten et al 1981).

Yet Smith (1984:21) correctly points out, that much of the literature on PVOs is narrow in focus. We know, in fact, very little about composition, activities and dynamics of PVO-sectors in African countries.

THE HETEROGENEITY OF THE AFRICAN PVO SECTOR

As in western societies, there is no prototype of the African PVO. African PVOs range from modern to traditional, from genuinely African to imported, and from organizations sponsored by international donors to organizations existing in the backwaters of African societies. Africa's PVO sector is a mixed bag, indeed. There are large-scale organizations like the Office Africaine de Devéloppement Economique et Sociale in Senegal with a budget close to that of some Senegalese provinces, together with modernized versions of Islamic brotherhoods. We find informal unions and associations of craftsmen and market women next to social welfare organizations like the YWCA of Nigeria. The Nigerian chapter of Women's World Banking, located in the most exclusive neighborhood of Lagos, is as much part of the PVO sector as the Progressive Young Farmers' Association from Ijebu-Ode in rural Nigeria. We see the Catholic Relief Service or the Canadian University Service Overseas operating next to informal credit and savings associations of local farmers, missionary societies or the Jesuit order. There is a large international agricultural research institute, with several hundreds of scientists devoted to crop and soil improvement, located next to a small Nigerian PVO advocating popular participation and appropriate farming systems at the village level.

The composition of PVO-sectors in Africa is very heterogeneous in terms of organizational set-up, scale, geographical scope, activity and funding domains, political status and influence, religious and national representation. Because we are dealing with two quite different types of organizations, it seems necessary to distinguish PVOs that more or less follow the western organizational model, and self-help organizations that originate, and are rooted in, the indigenous African society.

THE POLICY ENVIRONMENT OF PVOs IN WEST AFRICA

We will first consider the western-type of PVOs working in the West African countries Nigeria, Senegal and Togo (2). The three countries differ sharply in historical, political and economic aspects. Nigeria follows the policy of a state-nurtured free market society (Zartman 1983). It is Africa's most populous and potentially most powerful country. In contrast, Togo is one of Africa's smallest nations. It is a one-party state characterized by political stability and prolonged economic decline (Ziemer 1984). Senegal, a country which has experienced a process of redemocratization since the mid-1970's, is strongly influenced by Islam in the form of religious brotherhoods (Cruise O'Brian 1977; Diop 1981). All countries have been experiencing substantial economic difficulties and in each country, the PVO-sectors plays a different role and is confronted with different problems.

In Togo, the importance of the non-profit sector derives from its economic and financial weight. Togo's bureaucratic approach to development within a politically controlled society, has not been without costs. A low degree of decision-making capacity at lower administrative levels, lack of efficiency and information incurred high administrative costs as well as low plan fulfillment rates. The bureaucratization of Togolese society represents a classical case where political stability -a rare commodity in Africa- has been achieved at the expense of economic performance.

The Togolese PVO-sectors remains, however, largely outside the direct influence of the state bureaucracy. The PVO-sectors forms a liberal enclave that projects an independent image to overseas financing agencies. With Togo's private economy in difficulties, and with the state bureaucracy facing severe financial shortages, the PVO-sector has become an important source of additional financing. The annual budget of larger PVOs amounts to about 50% of the annual administrative investment budget of the Ministry of Plan, as allocated in the 1981-85 development plan.

In Senegal, the financial necessity for greater utilization of PVO inputs is less urgent than in Togo. The preponderance of concessional finances, and a renewed influx of private export credits, reduce the financial importance of PVOs. The role of Senegal's PVO-sector is strongly influenced by the current political situation in the country. Having learned from past costly failures, the Senegalese government, more or less openly, regards PVOs as an organizational instrument to reduce the influence of the islamic brotherhoods in the rural areas, which control the bulk of Senegal's production of major agricultural products. The government's strategy, of course, puts PVOs in direct confrontation with the powerful Islamic brotherhoods.

In other instances, the relationship between government and PVOs is less favorable. Some larger PVOs have achieved so much economic weight that their operating budgets come close to that of some rural provinces. PVOs can concentrate their activities and finances on selected and well-defined rural areas. In some cases, the generous endowment of PVOs relative to the government's financial strain, implied a de facto PVO monopoly in certain rural areas. As in Togo, PVO activities are welcome if they are in accordance with government policies, and if they do not pose a challenge to the state monopoly in the policies of social and economic development.

Based on the preponderance of private sector flows in economy and polity, PVO contributions and importance are negligible in the Nigerian situation. The oil boom and the huge sums of governmental revenues bypassed the Nigerian PVO-sector, and led international donors to divert funds to less fortunate countries.

While the Togolese development plan explicitly acknowledges the role of PVOs, and while PVO affairs have occupied the attention of the Senegalese National Assembly on several occasions, the PVO sector has never become an item on the agendas of Federal Ministries in Nigeria. The diminishing importance of Nigeria's PVO sector for social and economic development can best be demonstrated by the ratio between the population and PVO-presence. In Nigeria the ration is 1.4 million to 1, whereas in the case of Senegal the ratio changes to 96,000 to 1, and 47,600 to 1 in Togo.

We have seen that the political economy in which PVOs operate in West Africa differs markedly from one country to another. But there are also large differences in the internal composition of PVO sectors. However, while the organizational composition of African PVO sectors is very heterogeneous, their activities tend to be concentrated in areas of social rather than economic development. As Table 1 demonstrates, the members of the Nigerian PVO consortium are predominantly engaged in the fields of education, social welfare and relief. In Togo and Senegal, rural and community development is targeted. In Nigeria, PVOs occupy more traditional grounds, whereas in Togo and Senegal PVO projects choices reflect both the more problematic economic situation and the political importance of PVOs.

Differences in the religious/secular composition are more pronounced (Table 2). In Nigeria and Togo, religious and church-related PVOs account for the majority of consortia members. In Senegal, due to the predominance of Islam, Christian PVOs represent a minority. While Islam provides less fertile ground for PVO development (Clarke 1982), it is in particular the Christian churches which perhaps universally act as major founders of PVOs. James (1984) shows that religious PVOs are concentrated in social service and, as in our case, in social development domains "because their objective was not to maximize profits but to maximize religious faith and religious adherents and schools are one of the most important institutions for taste formation and socializations" (James 1984:20). It is in these areas that religious PVOs have a comparative advantage over the state because they can utilize low-cost labor like volunteers, missionaries, nuns and priests. Not surprisingly, churches and missionary societies have been actively involved in the fields of education and health services in Africa since the colonial period.

SOME PROBLEMS OF PVO OPERATIONS IN WEST AFRICA

Research on PVOs (usually in the form of evaluation reports) tends to concentrate on one, perhaps to case studies of (often successful) PVO-projects while leaving the influence of the larger social and political context in which they operate unspecified. The following case study of a low cost housing project in Rosso, Mauritania, illustrates that PVOs -while possessing a number of advantages over alternative organizational forms- are not immune against the influences of their surrounding organizational and political environment.

A Case Study (3)

Rosso is situated on the banks of the Senegal river. Rossa's shanty town suffered from a massive influx of migrants, major floodings, pollution and diseases. In 1974, the government set up a para-statal organization, the Société de Construction et de Gestion Immobilière (SOCOGIM), to meet the need for low-cost housing in Rosso and other towns across the country. With French support, SOCOGIM was responsible for the construction, renting and maintenance of low-cost housing units. SOCOGIM enjoyed several years of organizational growth without fulfilling its mandate. In 1975, the French donor decided to withhold further funds, and a Saudi Arabian agency provided financial support to allow SOCOGIM to survive for a few more years. WEST AFRICA (1985:1043) reports: "While it existed, SOCOGIM allowed certain local politicians to widen their clientele by placing relatives in salaried positions, granting housing units to tribal and ethnic allies and provide construction contracts for their friends in the business community". It is estimated that only 3.5% of the population could have afforded to rent a three-room housing unit in the few actually constructed by SOCOGIM.

In the areas of finances and goal attainment, SOCOGIM shared the fate of many other public corporations in third world countries (Shirley 1983:13; World Bank 1983: 76-78). SOCOGIM signed an agreement with the Association for the Development of Traditional African Urbanism and Architecture (ADAUA), a Pan-African PVO, to carry out SOCOGIM's low-cost housing project in Rosso. ADAUA, with the help of 30% of the total project costs from SOCOGIM, promised to raise the remaining funds from overseas' donors. Unlike SOCOGIM, which subcontracted to companies using western techniques, ADAUA used the funds to finance research and experiments using local raw materials and building techniques. After successfully demonstrating the financial and other advantages of ADAUA houses to the local residents, some 500 housing units were constructed between 1979 and 1982. ADAUA encouraged residents to build a 3.5 kilometer-long dike to prevent flooding, to construct sewage canals, and to improve sanitation. As a result, health indicators improved dramatically. ADAUA's project, aimed at encouraging self-help, generated enthusiasm and managed to mobilize residents. ADAUA's monthly budget for the Rossa project amounted to little more than $15,000 including salaries.

ADAUA chose Rossa as a project site for one important reason. Rossa's distance from the capital was sufficient enough to discourage the "speculative appetite of established business and bureaucratic forces" (WEST AFRICA 1985:1044). Yet the success of the low-cost housing project attracted donors searching for recipient organizations, and recipients searching for donors. Some organizations tried to sell their particular version of intermediary technology to ADAUA and Rossa residents. Other PVOs tried to move into Rossa to carry similar or related projects. By the end of 1982, the project had lost much of the Rossa residents' popular support, and real estate speculation flourished.

ADAUA itself was torn between state bureaucracy (which by then had discovered a new interest in Rossa), donors, other PVOs and its actual target group, the local residents. ADAUA's role as a mediator became more and more difficult, and internal conflict and dissent began to take root. By 1983, internal conflict had grown to such proportions that ADAUA became almost dysfunct. As long as ADAUA was able to keep its Rossa operation in relative isolation from outside organizations (donors, other PVOs, real estate agencies and the government), the project was successful; once Rossa shifted to a more central position and aroused the interest of other organizations, conflict potentials and contradictions became prominent.

The Rossa project was successful because, among other factors, it could operate in a temporary inter-organizational vacuum. Other PVO projects receive less favorable marks. Tendler (1982) analyzed evaluation reports of seventy-two PVO projects of different types from various third world countries. She found that the commonly held assumptions that PVOs are participatory, innovative and oriented at the poorest 40% of the population did not hold up. Projects revealed top-down decision-making by PVO staff or control of decisions by local elites, and the introduction of known techniques into new areas rather than innovation. In particular the factor of local elite control seems to act as an intervening variable in determining the outcome of PVO projects.

PVOs face one additional problem: Their reliance on voluntary contributions and donor inputs. Under constant pressure to raise funds, they have to advertise their achievements to a greater extent than do government institutions. Only four of the 15 PVOs surveyed in Togo, and only 11 of the 29 surveyed in Senegal, enjoyed stable funding (4). All Togolese and every second Senegalese PVO in our sample reported at least some major access problems to further funding. Every third PVO in Senegal depended to at least 50% of its total operating budget on international donor inputs, and all but two PVOs belong to the same category in Togo. The ratio between current budget and additional funds needed is .36 to 1 in Senegal. In other words, Senegalese PVOs have to raise close to three times the amount of their annual budget to secure continued operations. In Togo, only one PVO had a budget greater than the average sum of additional funds needed.

In such a situation, PVOs necessarily have to become masters of public (donor) relations. The PR-aspect has often been put forth as one important advantage of PVOs over conventional development efforts. Given the political realities in West Africa -with a general lack of up-to-data and reliable statistical data and information- PVOs often provide the only effective feed-back mechanism in the course of development projects.

THE PROBLEM OF COORDINATION

With seventeen major bi-lateral donors, more than twenty major multi-lateral development organizations, OPEC and CMEA agencies, and more than 2,000 international PVOs working in the field of development, the problem of coordination becomes crucial. In countries receiving large amounts of financial aid, the number of official donors (not including PVOs) contributing significant amounts only, ranges between 25 and 30.

Table 3 shows the number of international PVOs working in Nigeria, Senegal and Togo. The presence of international PVOs is a mirror of the recipient country's colonial past; a finding which seems to contradict conventional assumptions about PVOs. However, we have to consider that many PVOs are religious organizations and are, therefore, less subject to official politics of decolonization and indigenization. Moreover, many PVOs in western countries, in particular since the period of independence, are an organizationally expressed social and political reaction to colonialism. As a result, the distribution of international PVOs in West Africa replicates colonial spheres of influence, as the examples of France, West Germany and Britain demonstrate. In contrast, countries with no direct colonial past in West Africa, like the U.S. or the Netherlands, show a more even country distribution.

If we consider only those PVOs which were actually involved in projects or project financing during 1982-1984, the number of PVOs is substantially reduced. In other words, we have to differentiate between those PVOs which according to program statements include Nigeria, Senegal or Togo as a program domain, and those PVOs which were actively operating in these countries during our field research. Only about every third PVO claiming one of the three countries as program domain was in fact active during 1982-1984. This implies two factors. First, international PVOs represent a largely untapped area of resource allocation as seen from their African counterparts.

Secondly, the low proportion of PVOs active in Africa when compared to their potential number, seems to indicate a considerable amount of "on and off" programs and project activities on behalf of international PVOs. This points to a general lack of coordination at both the level of donor and recipient countries. In this respect, PVOs replicate the weakness of many official sector development efforts - or as the OECD recently stated:

> "The need for closer and more meaningful coordination of aid has become increasingly important as the complexity and interlinkages of problems of development in developing countries have demonstrated the limitations of isolated project aid, especially in policy and institutional frameworks which seem to frustrate their ultimate development purpose" (OECD 1983: 120)

The lack of project coordination represents one of the major obstacles to more effective development efforts. It is also in this area that future research is needed. How to orchestrate official and private development efforts, how to achieve a greater congruency between the needs and objectives of both donors and recipients, and how to initiate and maintain better information flows between donors, recipients and targets groups, these problems are in need of greater attention by policy-makers and researchers. Only under the condition of program and project coordination can negative developments (as demonstrated by the example of Rossa) be avoided.

SELF HELP ORGANIZATIONS AND PVOs

Self-help organizations represent the second part of the PVO universe in African countries (5). One major characteristic of many traditional West African societies had been the frequent existence of voluntary organizations such as age groups, community work groups and secret societies (Gosselin 1976; Hamer 1981). While some of these social groups have lost their importance, others have adapted to changing social and economic conditions.

The most frequently found self-help organization is the village association. Almost all urban West Africans are member of a village association, some of which provide public goods and services for their home village. Far less frequent are local community improvement associations in rural areas, although their prevalence seems to vary according to various ethnic groups. Other examples of self-help organizations in West Africa are informal associations among traders and craftsmen, or credit and savings associations (Bouman 1979; Seibel 1981; Gow and Morss 1981; Hyden 1983).

For PVOs, one of the challenges in achieving greater aid effectiveness and sustained development is found in the organizational interface between self-help groups and PVOs. Self-help groups are rarely formalized and are embedded in the local social environment to such a degree that the precise nature of their functioning is not easily visible for outsiders (such as PVOs and official development agencies). Consequently, funding of, and joint projects with, self-help groups necessitate long-range planning and high transaction costs - two factors which many PVOs are not willing, or able, to take into account.

Self-help groups are fragile social creatures and the sensitivity of many PVOs concerning organizational autonomy and dependencies, combined with their comparative advantages, potentially makes them a natural organizational intermediary between the grass-roots and the official world of development financing. In order to occupy this organizational position effectively and play a more informed part in aid implementation, PVOs have to put more emphasis on the coordination of their programs and activities.

AREAS FOR FUTURE RESEARCH

There are three major areas for future research:

1. How do different political environments in African countries affect the role and developmental contributions of African and international PVOs.

2. How can international and African PVOs coordinate their programs and project activities in a more informed way? What institutional set-up is necessary to secure long-term planning on the part of both donors and recipient organizations?

3. How can PVOs best act as an organizational intermediary between self-help organizations and official donor organizations?

Table 1: PVO project domains in Nigeria, Senegal and Togo

Domain	Nigeria %	Senegal %	Togo %
1. Economic Development	22.4	28.4	32.6
of which:			
cooperatives/businesses	6.7	8.4	6.5
rural development	15.7	20.0	26.1
2. Social Development	71.8	68.4	56.5
of which:			
community development	7.8	21.1	17.4
education	22.2	13.7	6.5
health services	13.8	6.3	6.5
nutrition	2.1	2.1	4.3
welfare/relief	18.0	12.6	10.9
family/children	7.9	12.6	10.9
3. Evangelism	5.8	3.2	10.9
Total	100.0	100.0	100.0
number of projects	478	308	101

Table 2: Religious-secular composition of PVO consortia in Nigeria, Senegal and Togo

	Nigeria	Senegal	Togo
religious	37	8	14
secular	22	34	8
Total number of members	59	42	22

Table 3: PVO presence in Nigeria, Senegal, and Togo by country of origin

country	total	Nigeria		Senegal		Togo	
	(*)	(a)	(b)	(a)	(b)	(a)	(b)
USA	428	101	19	37	9	38	11
Canada	149	11	5	10	2	6	1
France	119	1	0	47	11	25	5
Britain	111	28	13	5	3	5	3
West Germany	110	8	8	7	3	19	14
International	98	22	13	18	9	7	4
Belgium	92	1	1	8	1	4	0
Sweden	84	3	1	1	1	3	1
Netherlands	77	9	5	8	5	3	3
Switzerland	68	5	2	8	4	14	5
Italy	63	5	3	4	2	4	2
other OECD	256	17	4	15	10	6	2
Total	-	211	74	168	60	134	51

(*) The total number of PVOs is based on OECD (1981);

(a) Potential number of PVOs refers to the total number of PVOs reporting project or financial involvement in Nigeria, Senegal or Togo; this number is compiled from OECD (1981), TAICH Country Report Nigeria (1979), Taich Country Report Togo (1979), TAICH-US Non-Profit Organizations in Development Assistance Abroad (1978), TAICH Supplement I (1980), TAICH Supplement II (1982);

(b) actual number of PVOs refers to the total number of PVOs actively involved in either project or financial activities in Nigeria, Senegal or Togo during 1982-84. This number is based on own research.

Notes

(1) I wish to thank the numerous people in the U.S. and West Africa who assisted me in the course of data collection and interpretation. Initial funding for a comparative study of PVOs in West Africa was provided by the Program on Non-Profit Organizations, Yale University. Funding by the Ford Foundation, West Africa Field Office, Lagos, provided me with the rare opportunity to compare the role of PVOs in three African countries.

(2) Field research in West Africa was carried out in 1983 and 1984. Unless otherwise indicated, reported data are based on this field research and were collected by means of questionnaires, project visits and document analysis. Data are reported in more detail in Anheier (1986). The sample of PVOs is constituted by all members of the national consortia of PVOs operating in each country.

(3) The case study of Rossa is based on a report in WEST AFRICA (1985: 1043) and on information collected in the course of a field research in Senegal in 1984.

(4) Budget information was collected with the help of a questionnaire administered to all members of the Togolese and Senegalese PVO consortium.

(5) Self-help organization are referred to in the literature under different names: community association, local organizations, indigenous voluntary associations, cooperative societies, improvement unions, among other. They basically refer to the same type of organization. Elsewhere (Anheier, in press) we have dealt with traditional and modern self-help organizations in Africa in greater detail.

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WORKING DRAFT

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AMERICAN JEWISH PHILANTHROPY ABROAD

by
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Prepared for
Philanthropy Abroad Panel
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"American Jewish Philanthropy Abroad"

There are two fundamental problems facing someone asked to discuss current research on American Jewish philanthropy abroad. The first is that despite the appearance of several books on American Jewish philanthropy in the past few years, there is not a single scholar currently engaged in research and writing about the topic. I addressed this dilemma in 1979 with a volume on American Jewish philanthropy--an attempt to collect nearly all the serious research on the subject (it could actually fit in one volume!)[1] --and followed this with a history of the dominant Jewish philanthropic agency in America, the United Jewish Appeal.[2] Several other scholars produced significant volumes on Jewish philanthropy in America, including Daniel Elazar,[3] Abraham Karp,[4] and Philip Bernstein,[5] but not one of these authors (all but one of whom are academics) has continued to pursue serious research in Jewish philanthropy. The field has been left to fund- raising professionals writing impressive essays in popular journals.[6]

The second serious problem is one of definition and scope. Where ar the Jewish communities abroad, and which of these Jewries ought I to explore? If we exclude the Jews of Israel for a moment--for whose benefit most Jewish philanthropic activity in America takes place--there are about four and a half million Jews living "abroad." They include a half million Jews in Central and South America, one and a quarter million in Western Europe (including 350,000 in Great Britain), nearly two million in Eastern Europe and the Balkans, and 100,000 in South Africa.[7]

Nearly all of these Jews live in communities which are the beneficiaries of some American Jewish philanthropic support--largely through the American Jewish Joint Distribution Committee[8] -- though this support varies considerably. The proud Dutch Jews, well-structured for communal purposes, conduct their own annual fund-raising drives for local as well as "overseas" needs, while the aging Bucharest Jewish community, "organized" by the Federation of Jewish Communities,[9] needs American Jewish philanthropic dollars to provide thousands of daily free lunches, medical care, clothing, and old-age homes for an impoverished Jewry.

Most Jewish communities abroad, despite the tendency to adapt the institutional patterns of their hosts, are organized traditionally. This means that their communal organizations combine religious, social, political, legal and philanthropic functions, and organize themselves around synagogal, educational, communal relations, communal welfare, and Israel/overseas spheres of activities. We have extensive documentation of the organizational structure of Jewish communities "abroad," and these institutions, federations, or agencies have become increasingly sophisticated at communicating their various needs to American Jewry's philanthropic apparatus.[10] Yet, how to confirm these needs, especially in distant communities, and how to measure the degree to which these needs are met, remain difficulties for Jewish leaders in America.

Even after such needs are determined, communicated, and confirmed, the dilemma of how to balance the neeeds of Bucharest, Bombay, Buenos Aires, or Barcelona Jewry with those of Israel remain. The Jewish Agency, by its own definition, is the organization which acts on behalf of the Jewish people for the welfare of the state of Israel. Its annual budget of more than four hundred million dollars is used to absorb new immigrants, establish settlements, support education (in Israel and in Jewish communities abroad), renew slum neighborhoods, and to provide dozens of other services.[11] Less than 10 percent of its budget comes from the Israeli government; the rest comes from campaigns conducted in almost all Jewish communities in the world annually, though the Jews of South Africa, whose contributions to Israel are unmatched in the Diaspora for their generosity (despite the lack of tax advantages), conduct their Israel United Appeal biennially.[12]

It is well known that Jews in America (as elsewhere in the world) see the survival and well being of Israel as a primary concern for themselves and their communities. They turn out in their thousands to march and demonstrate on behalf of Israel. Each year they raise millions of dollars for Israel. Jews invest in Israel, volunteer to work there, vacation there, and sometimes even settle there. These same Jews concomitantly express concern for Jewries in other places in the world, from Ethiopia to the Soviet Union, from Teheran and Damascu to Santiago. In addition, every American Jewish community has its own needs, from old age homes and family services to education and cultural enrichment. And then there are the needs of the national Jewish organizations, such as the Anti-Defamation League, organizations whose budgets come largely from local fund-raising.

Determining the priorities and allocating the funds among these overseas, national, and local needs is largely a local process, with decisions made in response to annual budget requests. This procedure concerned Philip Bernstein, the chief executive officer of the national Council of Jewish Federations and Welfare Funds from 1955-1979, who in a recent study of Jewish philanthropy discussed the unfinished business of the federations. He bemoaned the lack of long-range planning, the development of professional staffs, and "many other vital and pressing" responsibilities.[13]

The chief deficiency of the federation system, Bernstein himself argues, is this lack of long-range planning.[14] The CJFWF, nationally, and the hundreds of federations, locally, have not undertaken a thorough re-examination of the needs and resources of the Jewish community, have not carefully reassessed the priorities of this community, and have certainly not addressed the relative priorities of overseas (Israel vs. the rest of the world) and local fund-raising. The most obvious reason for the lack of such research is that it might mean a radical new look at budgets, and, perhaps, an attack on some sacred cows.

Actually, one community did undertake such an investigation, and the manner in which the local leadership handled the results reveals how traumatic such a study might be. In 1975, two years after the enthusiastic outpouring of philanthropic dollars by American Jews during the Yom Kippur War, one community surveyed its constituents about priorities. In the face of year round publicity on behalf of Israel's needs--from Israeli generals brought to appeal for more human welfare support at mass rallies (75 cents of every $1 raised went to Israel in 1975) to weekly full page ads in the Anglo-Jewish press--the philanthropists themselves conducted a random probability sample (10 percent) of the community's Jewish families. It revealed that contributors wished to continue designating Israel as the overwhelming recipient of dollars sent abroad, but that more than half of the nearly 400 persons interviewed favored giving more than half the communal dollars to local needs. Studies such as this are rare, and the likelihood of radical allocation changes slim even in the face of such results. Budgeting, at least in the American Jewish community, is largely a decision by a small group on the basis of habit, and habits change hard.[15]

Another pressing research problem is why so many Jews do not give to organized Jewish philanthropy. The United Way executives in Columbus, Ohio envy the Jewish fund-raisers in the city because though Jews are less than 3 percent of the population, they raise nearly 20 percent of the United Way total despite, so United Way officials report, contributing quite generously to this non-sectarian philanthropy as well. But a large number of American Jews do not donate even $1 to a local federation. In the largest Jewish communities, such as New York and Los Angeles, only a small percent of the Jews donate to the federation; only 10 percent of the more than half-million Jews in Los Angeles give to the Los Angeles Jewish federation. Even in Columbus, a model of organized Jewish philanthropy, more than one-third of the adult Jews do not contribute. Finding these Jews is no longer a problem, but few people involved in Jewish philanthropy have even tried to understand why so many American Jews do not respond to Jewish philanthropic appeals.

But many do give, and give generously. Yet, as several national Jewish philanthropic executives have been pointing out for years, Jewish philanthropic growth has lagged dramatically behind the increases registered in United States philanthropy as a whole. Between 1976 and 1979, the UJA/federation campaigns grew by 7 percent; during the same years all U.S. philanthropy grew by 33 percent.[16] In Columbus, more recently, the federation increased its regular campaign giving by 10 percent from 1984 to 1985--among the most impressive increases in the country--but the Columbus United Way increased its total by 20 percent in the same period.

Some argue that the American Jewish community has run out of steam; others that competing campaigns in the Jewish community (synagogue endowment drives; Jewish Center capital campaigns) are too ambitious; others that the increasing intermarriage rates and decreasing fertility patterns are having a negative impact on Jewish philanthropic growth; others that the large number of mobile Jews--those who never really identify with and take responsibility for their own community--greatly hinders fund-raising growth; still others that this generation of Jewish givers gives a higher priority to materialistic comforts than to helping their less fortunate sisters and brothers. Whatever the explanation, here is an area for substantial research: how to make the reputedly efficient Jewish philanthropic network, with its host of committed givers, keep pace with general increases in giving. There is clearly a vast potential for growth, for expansion of the philanthropic base, for improvement of effort, but almost no discussion of this in the journals and newspapers of the American Jewish community.

Another important issue needing research is the extent to which the assertion that the post-Holocaust generation of Jews does not answer to the same appeals as their parents is true.[17] Jewish fund-raisers everywhere, when soliciting those who, merely by an accident of birth, survived the destruction of 1941-45, used guilt and atonement, sin and redemption, disaster and salvation--the symbols of a salvific system--throughout the 1960's and 1970's to appeal for philanthropic dollars.[18] "Had I been born over *there*," givers were urged to feel, "I would have been among *them*," but, they were told, "at the darkest hour came the dawn--the state of Israel saved the remnant and gave meaning and significance to the inferno."

The new generation, it is argued, those born since 1945, have to be understood in entirely different terms from the old generation. The salvific myth that shaped the mind and imagination of their parents and made writing a check for Jewish philanthropy a sacred act no longer compels giving. I personally doubt that there has been much of a change; the generation that lived through darkness and light and the generation that has merely heard about the darkness and is filled with light probably respond to identical myths. But research on this is certainly necessary, and its implications for turning American Jewish philanthropy from a half billion to a potentially billion dollar enterprise annually seem obvious to me.

Two final research issues merit mention, and have emerged in my discussions with fund-raising professionals in several cities.[19] The first is the changing role of Israel in Jewish philanthropy, a dynamic area of change in recent years as American Jewish givers have, more and more, tried to take greater control over expenditures abroad rather than permitting overseas agencies, such as the Jewish Agency, carte blanche in distribution of funds. Secondly, nobody has yet made a study of the alternative Jewish philanthropies which raise and distribute dollars abroad. Some of these organizations are well known (the New Israel Fund, for example, which raised over $1,000,000 in fiscal 1984-85); some are even supported by the established agencies of Jewish philanthropy; but little is known about why they appeal to their supporters and what role they play in the larger context of

Jewish philanthropy.

All of these reflections about research needs essentially confirm the conclusion of a Jewish sociologist more than two decades ago that "leading Jewish fund-raising institutions" did no market research.[20] And none seemed necessary, given the halcyon years of the 1960's and 1970's--years of unlimited growth--when the survival of Israel gave Jewish philanthropy an urgency that could not be matched by non-sectarian causes and in a world that had proved within living memory what happens to Jews unwilling or unable to take care of themselves. But numerous federation executives report an exodus of big-givers to non-Jewish organizations in the past few years, and large cuts in public funds for Jewish social service agencies to which generous government funds once flowed. And the dearth of serious research on Jewish fund-raising, the lack of long-range plans among all the Jewish philanthropies, makes the slow growth of Jewish fund-raising in America particularly critical.

Notes

1 Raphael, 1979.

2 Raphael, 1983.

3 Elazar, 1976.

4 Karp, 1981.

5 Bernstein, 1983.

6 See, e.g., Goldin, 1983 and Blitzer, 1983.

7 Schmelz and DellaPergola, 1985.

8 Bauer, 1974.

9 Shapiro, 1985.

10 See, e.g., Elkin, 1985, 12-21 as well as Elazar and Medding, 1983, 101-24.

11 Zwergbaum, 1971.

12 Elazar and Medding, 1983, 195-96 and 199-200.

13 Bernstein, 1983, 380.

14 Bernstein, 1983, 375-80.

15 Raphael, 1979, 153-64 ("Federated Jewish Philanthropy and Communal Democracy: In Pursuit of a Phantom").

16 Bloom, 1981, 30.

17 Cohen, 1978.

18 Herbert Friedman, Oral Interview with Marc Lee Raphael, 9 July 1981.

19 I interviewed fund-raising executives in Columbus, Los Angeles and Cleveland between November, 1985 and January, 1986.

20 Sklare, 1962, 426.

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SECTION TEN - ADVOCACY ORGANIZATIONS

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NON-PROFIT ORGANIZATIONS AND THE FEMINIST AND CIVIL RIGHTS MOVEMENT

by
Joyce Gelb

Prepared for
Advocacy Organizations Panel
March 14, 1986

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RATIONALE AND PURPOSE

Since the 1960's, black civil rights groups have been neglected by social scientists and social historians. In contrast, the feminist community has been the subject of much analysis, although little of it has focused on institutions created and issues of funding and membership. (See Gelb and Palley, Women and Public Policies, Princeton University Press, 1982, for a fuller analysis of this issue).

The rationale for this research project is to examine what we know about the membership and funding strategies of feminist and black civil rights groups. The issues to be raised relate to membership recruitment, sources of funding, accountability to a constituency, and future structure and strategies. To what degree are rights oriented groups competing for the same contituency?

Problems of Membership and Accountability

The civil rights movement dates back to the first part of the twentieth century when the NAACP and Urban League were founded. Virtually all the groups discussed began as leadership or cadre organizations lacking a mass base - some, such as the National Association for the Advancement of Colored People (NAACP), the National Abortion Rights Action League (NARAL), and the National Organization for Women (NOW), - have developed constituencies while still others (Women's Legal Defense Fund, for one) would like to.

While by the late 1970's several of the organizations which dominated the "movement" era in the 60's: CORE, SNCC, SCLC - were all but moribund. Several new actors had joined the earlier civil rights groups on the federal policy making scene. These were primarily litigation groups, including the Lawyer's Committee for Civil Rights Under Law and the Center for National Policy Review, which joined the now independent (NAACP) Legal Defense Fund (or INC. Fund) in a formidable law oriented sector.

The organized feminist movement has grown remarkably in terms of constituency groups and influence since its relatively recent beginnings in the 1960's. Having entered politics together with a number of other competing "rights" groups, at a time of economic constraint, feminist groups have nonetheless proliferated and become increasingly professionalized during the last decade.

The National Organization for the Advancement of Colored People has traditionally been the black organization most active in influencing public policy, largely through litigation and lobbying. While it has the largest membership of any black civil rights group, by the late 1970's it had only about 20,000 more members than in 1960 indicating its difficulty in expanding its membership base. (Pinderhughes, 1979, 22). It also maintains the largest staff - about 200 employees in the late 1970's of whom 75-80 were professionals. Only the Urban League with 310 staff members and over

200 professionals was a larger group. Groups like the NAACP have experienced internal conflict between membership factions and in the 1970's witnessed a struggle between Board and staff leaders for organizational control. In contrast, groups such as the Urban League maintain some 115 affiliates but no actual membership, although an annual Delegate Assembly of representative affiliates elects the Board of Trustees. More than any other group analyzed, the Urban League has been "institutionalized", and is run like a corporation, with planning, reviews on work performed and the like in its primary areas of urbanization and employment. Other civil rights groups, such as the INC. Fund and Center for National Policy Review, are primarily litigation oriented with accountability either to their boards and/or to allies and clients and only a loose connection to a mass constituency.

The feminist movement contains several groups which resemble those in the black civil rights community, but has also become more diversified and specialized. The National Organization for Women is in some ways modeled after the original NAACP, and has both a large membership organization (which has grown to about 250,000 from about a few thousand members at the time of its inception) as well as a legal defense fund (and also a PAC). The National Women's Political Caucus has upwards of 50,000 contributors, although they are not active members. Specialized groups, both litigation and research oriented have also proliferated.

Nonetheless, there is no dominant litigation group comparable to the Legal Defense Fund, partially because the law has proven to be a less certain tool for women and also because access to the political process via lobbying has met with considerable success, in contrast to the black experience in its early days. A third category, without parallel in the black civil rights community, is comprised of specialized single issue groups. These include the pro-choice community and such groups as NARAL, peer on equal education rights, AIAW, for women in sports, the Women and Health network, the NCADV, in the area of domestic violence and OWL, which related to the problems of older women. Feminists have also benefitted from the increasing alliance with more traditional groups, such as the AAUW (American Association of University Women) and League of Women Voters who have come to support and actively press for numerous feminist goals, including abortion.

Their extensive mass constituency is illustrated in table I.

Table I

American Association of University Women	182,000
B'nai B'rith Women	150,000
League of Women Voters	137,000
General Federation Women's Clubs	621,000
National Federation of Business and Professional Women's Clubs	167,000
National Council of Jewish Women	100,000
United Methodist Women	1,500,000
Total	2,857,000

Source: Anne Costain, "The Struggle for a National Women's Lobby: Organizing a Diffuse Interest" (unpublished manuscript).

A fifth sector, related to campaigns and elections, has more recently been utilized to pursue election related goals. PAC's have been employed by NARAL, NOW and other groups in order to foster the election of sympathetic candidates and to defeat enemies. While some groups have an active and vocal constituency, on which they rely for guidance, others are staff dominated and essentially pursue agendas they feel will benefit their constituency and are pragmatically geared to succeed.

Constituency and Responsibility

The issue of constituency remains a controversial one. The black based civil rights movement has not grown substantially in terms of membership. The NAACP - the only black membership group studied - retains dues paying membership of about 400,000, as it has since the 1960's. By 1985, NARAL, NWPC, WEAL and NOW had a total dues paying membership of about close to 400,000 - a substantial increase from 75,000 - 80,000 in 1971. (Gelb and Palley, 1986). NOW and NARAL, in particular have increased paid membership dramatically. Nonetheless, they still comprise a mere fragment of women in the United States. Several leaders and policy makers interviewed for this study emphasized the importance of constituency based groups, arguing that the absence of such mass organization significantly weakens efforts to influence policy, at every level of the political process. One civil rights official stated that membership was even more crucial than expert litigation (Interview, D. Tatel, Secretary HEW, 1979). Even, and perhaps especially at the administrative level, the image of organizational strength may aid in changing an agency's perspective and priorities through the development of a new constituency. Analysis of Title VI enforcement by other scholars suggests that civil rights groups increased their effectiveness when they belatedly began to mobilize and represent their mass constituency.

Earlier in this study, it was suggested that an initial asset of the INC. Fund was the degree to which local initiative aided in identifying key issues and bringing them to the attention of the organization, (although the group consciously developed a strategy of precedent setting cases apart from such local pressures).

The concern for a mass base has been expressed by scholars and activists alike. A student of feminist politics expressed concern about the gap she discerned between feminists and constituents - observing that isolation from the grass roots often produces policy commitments out of touch with actual mass needs. (Berger, 1979, 87). It is undeniable that as policies increasingly enter the implementation stage on issues such as Title IX for the feminists, grass roots level constituents are invaluable in mounting local efforts, bringing complaints and providing the feedback necessary to determine whether policies are working. In another context, "pro-choice" forces, have turned increasingly to constituency building, partially to replicate the success of "right to life" groups who have so effectively organized at the community level and brought pressure to bear in state and national legislative politics and at the ballot box.

But, building membership also requires servicing it in some fashion; frequently groups barely break even as a result of mailing newsletter and the like. In addition, membership expressing its wishes via annual conventions or other mechanisms, may limit organizational flexibility and maneuverability in the political process. It is difficult to engage in compromise - as most groups in this study customarily do - when an emotional issue is at stake and leadership must be accountable to members. Mass issues often tend to create opposing constituencies and as more emotions are inflamed and media attention focused on an issue, "out" groups such as feminists and civil rights groups may well lose out. Ultimately, experience with such issues as abortion and busing suggests the immense difficulty of countering opposition pressure through traditional interest group techniques.

Finally, both groups share the problem of recruiting and mobilizing "latent" constituencies, in whose name they gain credibility, due to the "free rider" problem. Olsen has pointed out that a group's ability to mobilize constituents may be severely limited because collective benefits or goods obtainable by group efforts accrue to group members whether or not they are active participants. (Olsen, 1971, 48). Hence, there is no "incentive" for mass participation unless selective benefits are available, such as services obtainable only by group members. Although "conscience constituencies" do support such groups because of belief in their goals as well, organization building, may nonetheless be extremely difficult. (McCarthy and Zald, 1212-41). Most civil rights and feminist groups have been unable to develop such selective incentives (in contrast to the aged, for example, who may receive insurance and medical benefits with formal group membership), and neither has recruited more than a fraction of potential members.

They are thus responsive but not responsible to a broad membership base. Nonetheless, feminists may be in a relatively stronger position due to their relationship with traditional women's groups on whose support and numbers they rely.

At this juncture, feminists may have the best of both worlds - they may call upon membership without necessarily incurring the cost of maintaining it, through their relationship with traditional womens groups.

Funding

Sources of funding for rights groups - both feminist and black civil rights - are diverse, including membership, non-member individual contributors, as well as foundations, and the government.

A major source of income is derived from membership; for NOW and NARAL for example, this comprises virtually all revenue, and for the NAACP less than 1/3 of its total funding ($1,500,207 in 1978). (NAACP Annual Report, 1978). Direct mail from individual contributors (the "conscience constituency") has continued to be a mainstay of support for all rights oriented groups, although such funding is often distinguished by its ephemeral nature. As economic conditions change and the perceived significance of social issues varies with the times, funding may decrease or atrophy totally. For example, contributions and membership subscriptions in the feminist organizations rose dramatically after the election of Reagan and the defeat of the ERA, only to apparently decline again in the last year. Direct mail is now utilized by virtually all groups, although it is costly in terms of staff and mailing expenses. Several groups indicate that they tap their willing supporters several times annually. Increasingly feminist groups have sought to tap women themselves as their economic independence increases with their labor force participation.

A problem for both the civil rights and feminist movements appears to lie in the nature of each group's supporters. Particularly in the case of the black civil rights community, contributors are apt to be white as opposed to black. Groups such as the NAACP and Legal Defense Fund continue to derive the bulk of their resources from outside their own community, creating questions about the degree to which agenda building and issue priorities are actually determined from outside the actual group presumably being served. Probably fewer than one third of the NAACP's funds and only between 15-20% of the INC. Fund's revenue come from the black community itself, although the number is surely rising as more blacks enter the middle class. With regard to the feminist movement, a similar problem exists, although it is less severe. One estimate indicates that as of 1981 four percent of American women and two percent of American men contributed to the women's rights movement - about 4 and 1/2 million people. (Bouchier, 1984, 180). This suggests that the feminist movement, with access to a larger and more affluent sector of the population, may continue to be in a stronger position with regard to issues of group self determination. (I am grateful to James Robinson of the Legal Defense Fund for bringing some of these points to my attention).

A second source of funding has been derived through government grants. These funds have also proven to be a mixed blessing as they are often restricted funds which limit group freedom to maneuver. As the Reagan era has demonstrated clearly, the changing nature of administrative leadership and resultant policies may adversely affect established ties and funding relationships. Jack Walker and others have pointed out that many rights oriented non-profit groups have been severely harmed in terms of government revenue, although some like the Women's Equity Action League, (WEAL) have been able, through creative financing, to recoup most of their losses. (Walker, 1985 National Journal, 1630-32). At this time, no group has been forced to close its doors because of the cutbacks, although a few groups have had to vastly curtail the scope and manner of their operations.

Foundations provide another and often crucial resource for rights oriented groups. The role of the Ford Foundation in particular has often been noted. In 1972 83% and in 1975 44% of all grants for civil rights litigation and research related to civil right activity emanated from this one foundation. (Colwell, 1980-82).

However, from 1979 (when this analysis was first made) until 1985, several changes in revenue raising have been evident. It appears, in general, that black civil rights groups are getting less attention from foundations than hispanics and women (especially working and abused women). (Nielsen, 1985, 149).

Until recently, feminist groups were underfunded by Ford and other foundations. As recent entrants into the political process at the mercy of largely male dominated boards with relatively little sympathy for feminist claims, in the period from 1972 - 1979, Ford made only 2.10% of total grants made to women's groups (compared with 40% for civil rights groups). (Interview, S. Berresford, 1980). This situation has now changed significantly - as 11% of the Foundation's funds are now being directed towards women, 10% to blacks and 6% to Hispanics.(Interview, S. Berresford, V.P., Ford Foundation Sept. 1985). Several feminist groups have more than doubled their foundation funding in the last five years, although the effects of inflation may render these gains less dramatic than they appear.

Foundation funding comprises at least half the annual budget for several groups and a significant portion for the others. This creates problems for feminists and civil rights groups, while at the same time this funding has permitted the groups' very existence and expansion in the past two decades.

Foundations tend to prefer funding of established groups, particularly those with ties to boards and staff members. Their preferred subject matter is traditional and non-controversial and they tend to favor groups that are not overtly catalysts of institutional or social change. (Nielsen, 423). Second, foundations tend to donate money for specific projects and/or issue areas for specific periods of time. This funding pattern tends to limit both the scope and flexibility of groups who are locked into the particular projects deemed fundable. Educational and internship programs are often viewed as the most eminently "fundable" by rights groups, although they may be of limited value in terms of organizational development and goal fulfillment.

Because foundations are such a major source of support, a decrease in their role within an organization may have adverse consequences. At present, all groups must all compete with one another and even newer groups for the same scarce resources.

Reliance on outside funding reinforces centrifugal tendencies, particularly within the black civil rights movement, as the effort to develop an organizational track record resting on media, publicity and public recognition become more important. Groups which are similar in outlook and concerns must therefore seek to distinguish themselves from their colleagues in order to present a separate "image" and get organizational credit for accomplishments. The end result is to weaken efforts at coalition building, so crucial to movement success as the recent rift between the NAACP and its former offspring the Legal Defense Fund, clearly illustrates.

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VOLUNTARISM AND THE NEW AMERICAN POLITCAL ECONOMY

by
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Prepared for
Advocacy Organizations Panel
March 14, 1986

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I. Introduction

Voluntary organizations have long been recognized as vital elements of American social and political life. Research has focused our attention on such topics as participation in voluntary associations, policy innovation and social service delivery by voluntary agencies, and the process of voluntary group formation and maintenance. Curiously, however, the subject of the voluntary sector role in the American political economy has not been scrutinized in any detail.

Our dearth of understanding in this area is increasingly evident. Restructuring of the domestic economy and the welfare state over the past decade has thrust relations between government and the voluntary sector into the political limelight and the public consciousness. Fiscal retrenchment and federal tax policy have shifted responsibility for many essential services onto voluntary organizations, while at the same time exacerbating resource scarcity for the voluntary sector itself. The ideological rationale for this shift is that voluntarism is not only more efficient than wasteful and meddlesome government, but that voluntary groups are the cornerstones of freedom and democracy, to be encouraged in preference to a leviathan state increasingly outside of popular control.

The material reality of restructuring and the ideological claims for voluntarism raise numerous questions concerning the role of the voluntary sector in general and its relationship to the state in particular. For instance, what are the political and economic functions of the voluntary sector? How has the voluntary sector responded to public funding cutbacks and growing service gaps? How does the level and nature of voluntary activity vary across the country? And how much genuine latitude is enjoyed by voluntary groups attempting to initiate new activities or shape public policy? These issues remain unexplored and unresolved, and currently are difficult to address. Not only is information scarce, but theoretical frameworks for understanding the voluntary sector are inadequate. In particular, our characterization of linkages between voluntary organizations and the state is still quite primitive.

The purpose of this paper is to identify areas of further theoretical and empirical investigation which are essential to a better understanding of voluntary organizations, and their relationships to political power, economic structure, and spatial organization in the United States. Recent studies which attempt to address these issues are assessed in terms of their implications for the advancement of theory in voluntary sector research, development of voluntary sector political strategies, and the design of public policy toward voluntarism.

II. Major Research Themes

A model of the voluntary sector situates voluntary organizations within a societal context and may be used to highlight areas of necessary research effort. This model identifies both economic and political roles of voluntary groups in society. On the political side, the sector is assumed to: (1) share certain collective service responsibilities with the state; and (2) provide additional services for client or interest groups. The ability to organize voluntarily in order to promote social change is assumed to be a basic political right in capitalist democracy. Voluntary groups are expected to exert influence on government policy on behalf of group leadership, clientele, and/or members. But voluntary action can be directly or indirectly circumscribed by state policies. The degree of voluntary sector influence is therefore not static but is contingent upon the political economic context, especially structural requirements for economic development and state legitimacy. On the *economic* side, a three-sector economy is assumed in which voluntary groups, government, and the private for-profit sector produce and consume goods and services. Voluntary groups gain financial resources through sales and other business-related activity but also receive funds from other sectors of the economy, notably public authorities, individuals, corporations and foundations. Their economic interdependence implies that voluntary organizations can affect growth rates but also that groups themselves are sensitive to fluctuations in economic climate and public fiscal policy.

This model implies that the level of voluntary action will vary from region to region, from city to city. The spatial pattern of organizational resources, activities, political influence, and economic activity may be due to historical development factors; differences in local needs and preferences for voluntary action; interregional mobility of voluntary sector resources (capital, labor); or variations in public policies and spending programs between cities and regions. But in addition to variations in voluntary activity according to historical circumstance or locational setting, voluntarism is contingent upon space and time. Time-space resources constrain and/or enable the everyday routines of voluntary activity undertaken by individuals; shape the nature and content of these initiatives; and affect the impact of voluntary action on social institutions and structure.

Our model suggests that at least four areas of political economic research on the voluntary sector are necessary. These include (1) the development of macro-level theories explaining the complex nature of interaction between voluntary organizations and the state; (2) analysis of the changing nature of the voluntary sector in the wake of economic restructuring and public social spending shifts; (3) description and explication of spatial variation in voluntary sector activities and impacts of the restructuring process on this geography of voluntarism; and (4) investigation of the structural limits to voluntary initiatives for social change. Each of these research areas is discussed in turn below, along with work which is being conducted on the topic.

Voluntary Organizations and the State

The nature of interactions between voluntary groups and the state has been a theme in *public choice theory*, and in contemporary political theory (most particularly theories of pluralism). Public choice approaches suggest that government responds to voter demands, and those voters not satisfied with public service outputs form voluntary organizations in order to privately meet their collective needs (Weisbrod, 1977). In effect, this model explains the size and diversity of the voluntary sector as a function of preference revelation mechanisms within democracy. While underscoring a key impetus for voluntary action, the focus of the public choice approach pertains only to a limited range of state-voluntary sector interactions. The diversity of voluntary organizations is not explained, nor the formation of groups for purposes other than collective service provision, i.e. commerical nonprofits, and lobby-type organizations. Most importantly, voluntary action does not influence public policy according to the public choice perspective.

The *pluralism* literature in some ways stands this public choice argument on its head. Studies in this tradition have focused on how interest groups interact with one another and with public officials, to determine public policy outcomes related to specific issues. However, in many ways this treatment remains problematical as an explanation of voluntary sector relationships to government. First, voluntary groups whose primary mission is not political nor aimed at legislative change (such as charities and service agencies) have often been considered "politically irrelevant". Second, the nature of political resources by which groups affect the policy-making process has not been adequately articulated. Third, past research has tended to emphasize the resources of politically-motivated individuals and groups, rather than those held by state institutions, in spite of government's central role in affecting political discourse and outcomes. This assumes that influence on public policy flows only one-way -- from groups to government, but not the other way around. Lastly, political theory has tended to obscure the difference between allocation, distribution, and command over (or ability to apply) political resources, and to disregard constraints on resource command. These shortcomings obscure a critical aspect of political life: the institutional interdependence between organizational action and state prerogatives.

An institutionalist framework which specifically considers the interdependence of voluntary organizations and the state, and focuses the role of political resources in voluntary action has recently been developed (Geiger and Wolch, 1984). This framework, which draws on the "new institutionalist" school in political science (March and Olsen, 1984), highlights how resources are allocated by the state and the market, distributed among interests in society, and applied in the pursuit of political objectives. In particular, this approach stresses the idea that the application or command of resources is constrained by the activities of other political actors, particularly institutions of the state. But at the same time, group command of resources can limit the state's own power. The end result of this pattern of interactions is that the motivations and behavior of voluntary organizations and state institutions are interdependent and simultaneously adjusting.

This institutional interdependence approach stresses the allocation, distribution, and command over political resources held by voluntary organizations, emphasizing the rationale for contraints on voluntary initiative. The market, government, and charity allocate four basic kinds of political resources to voluntary organizations. First, the production of goods and services by voluntary groups provides them with organizational wealth (or finances). Production activities are funded either through: (a) market-rate user or member fees, or other business-related income; (b) government contracts, grants and subsidies; or (c) individual, foundation, and corporate donations. Second, the expenditures of voluntary organizations create jobs and income which constitute political resources for groups. These indirect resources arise because government relies on firms (voluntary and proprietary) to provide income and employment (Lindblom, 1977). Third, government indirectly allocates resources to voluntary groups via regulations, e.g. tax incentives for charitable giving and tax exemptions of critical importance to organizations. Fourth, institutional linkages are created by the financial ties between voluntary organizations and government, market, and charitable donors. These linkages provide communications channels vital for influencing decision makers. Through the use of all four types of resources, voluntary groups change the preferences, options, and resources of government and other groups in society.

Less is known about the distribution of various types of resources among voluntary organizations than about allocation, or about how resource distributions affect political outcomes. This is, therefore, a vital area of further research. It is reasonable to assume, however, that a highly skewed distribution over time leads to increasing inequality, as large resource-rich groups succeed in changing allocative mechanisms in their favor, and are able to resist constraints on resource command.

The ability of voluntary groups to command (or apply) political resources is influenced by state policy in a variety of arenas. Factors affecting the use of political resources include *structural*, *situational*, and *operational* constraints. Structural constraints are linked to state requirements for political economic system maintenance; the need for government to manage interest agitation, insure social stability, and maintain satisfactory economic performance leads to constraints on the allocation and distribution of voluntary resources (for instance, curbs on public funding for some types of organizations). Structural considerations can also lead to increased allocations to voluntary agencies, where such organizations help solve fiscal problems or maintain a preferred pattern of social relations. Situational constraints are issue-related; political interests both respond to and are constrained by issues that either threaten or enhance their opportunities. For voluntary organizations advocating threatening views, state discretion in the application and interpretation of laws, regulations, and compliance procedures frequently become situational constraints on their activities. Operational constraints are the procedural conventions, processes, or regulatory norms of the political system. Most of these constraints result from governmental policies. Moreover, state subsidies to and contracts with voluntary organizations create operational constraints that restrict the ability of voluntary groups to use their political resources. All three types of constraints feedback to affect the allocation and distribution of resources, and the ability of groups to command those resources.

Thus, the institutional interdependence approach predicts that voluntary organizations affect public policy but are in turn affected by the application of the state's own political resources: rules, regulations, conventions and financial incentives. The suggestion that the state has certain motives in defining and delimiting voluntary action does not imply a simple functional relationship between government policy and voluntary groups, however. Public policies, in fact, are inconsistent and generate contradictory results for voluntary organizations and other groups in society. Rather, the focus of the institutionalist framework is on the complex interdependencies which arise as voluntary groups and government utilize their respective political resources to obtain, in whole or in part, organizational and institutional (and perhaps incompatible) objectives. Such "partial ordering" of voluntary - state relations is consistent with findings from other domains of social theory.

Restructuring and the Voluntary Sector

The economic restructuring of America has been characterized as a process of spatial and social change resulting from the reorganization of production and an evolving division of labor (Soja et al, 1983). A second aspect of restructuring is the redefinition of governmental responsibilities for population welfare (Gilbert, 1983; Dear and Wolch, 1986). This redefinition, effectuated via public sector retrenchment and privatization, has dramatically altered the organization of the post-1945 welfare state and shifted some of the burdens of collective service provision to other sectors in society, particularly the voluntary sector. What are the precise dimensions of this restructuring of the welfare state, and how will voluntary organizations respond? As suggested above, the voluntary sector is not likely to be a passive agent in this reordering of social responsibilities. Instead, its reaction to new demands may transform its very character and relationship to the state. Moreover, the new reliance on the voluntary sector represents a significant redistribution of political power, with important implications which need to be assessed.

Analysis of welfare state restructuring and its meaning for the voluntary sector have only begun to be explored in any systematic way. Studies in progress at the Urban Institute promise to be most useful. Their initial work, as well as the several urban-level analyses completed recently indicates substantial decline in some sectors of voluntary activity (i.e. social welfare and community service activities) brought about by reductions in public funding for voluntary initiatives (Salamon and Abramson, 1982; 1984; Luckerman, 1984). But while highlighting the extent of resource shrinkage and its impact for voluntary groups, this body of work does not address questions of either the death rate among nonprofits, or simultaneous rapid voluntary sector growth and its relationship (if any) to privatization. For instance, what types of new voluntary groups are being established? How have the changes in tax policy and government programs affected incentives for businesses and public agencies to set up voluntary, nonprofit spin-off enterprises?

Consideration of the economic structure of the voluntary sector and its relationship to other sectors, particularly the service sector, raises more questions about restructuring, privatization, and voluntarism. For example, has the nature of the service sector fundamentally changed as private sector firms have taken on formerly public service delivery functions? Have public demands for "trustworthy" replacement services led to a growth in the number of voluntary organizations, which are (theoretically) free from competitive pressures to maximize profits and meet only minimum quality standards, as Hansmann's (1980) work suggests? Has voluntary activity augmented for-profit service expansion, displaced it, or been displaced by it?

These questions have been indirectly explored (Wolch and Geiger, 1986). Using currently available data, including the 1977 Census of Other Service Industries and an Bureau of Economic Analysis input-output model, we establish a base-case description of the national voluntary sector and its interindustry linkages. This analysis indicates that voluntary organizations are a major element of the economy, generating total direct and indirect effects in 1977 of $90.5 billion in earnings and 10.7 million jobs -- 7.7% of national earnings and 10.9% of national employment. The study also suggests that the expansion of voluntary activity is linked to the growth and changing character of the service sector as a whole, with voluntary organizations constituting a substantial share of total service sector activity. The sector employed approximately three-fourths the number of workers in such for-profit service firms as banking, insurance, real estate, personal and business services, and one and one-half times the number employed in those for-service areas having voluntary sector substitutes (health, education, social services, etc.) However, this study considered only one time period (1977); longitudinal data and analysis are required in order to more clearly assess the changes in the voluntary sector and service industries in the wake of privatization.

Clearly, a great deal more research is necessary to fully understand restructuring of both private and public sectors, and the impacts on and role of the voluntary sector in these dynamics. There are major impediments to such research, however, as data on expenditures and employment in voluntary organizations over time are not available. Internal Revenue Service 990 files and state-level records have recently been found to be in serious error, requiring enormous resources for correction and adjustment (Wolpert, pers. com.; Geiger, pers. com, November 1985). And while U.S. Economic Census data developed in 1982 provides separate information on voluntary (tax-exempt) organizations, it is not comparable to the 1977 Censuses.

Spatial Variation of Voluntary Activity

Most of the existing empirical research on the voluntary sector has been at the national level (Salamon and Abramson, 1982; Feldstein, 1974; Kramer, 1982). We have very little knowledge of how the processes of restructuring and privatization are being played out in different geographic locales, which hinders efforts to evaluate the impacts of public policies such as the "new federalism". However, available geographic studies of the voluntary sector are provocative. As our model predicts, their findings indicate dramatic spatial differentials in the level and type of voluntary activities across the country, and mobility of voluntary resources between cities and regions.

Several studies have investigated spatial variations in giving patterns of individuals, corporations, and foundations. An early empirical analysis by Hochman and Rodgers (1973) documented the interurban variation of individual charity, and hypothesized that donative levels would vary according to income, community size (with residents of larger communities giving less, due to the free-rider effect), and region, due to region-specific values, cultural norms, and public sector fiscal policies. Their findings provided some indication that community size and regional factors played a role in explaining patterns on variation. A later longitudinal analysis of individual contributions by Wilson (1983) explored the role of income, family factors, community characteristics, and regional location. Results indicated the central role of income and the dampening effect of larger community size ostensibly due to free rider behavior, but found family characteristics to be insignificant. Regional location had a weak and declining importance over the post-WW II period, as the nation became increasingly integrated both economically and socially. Both of these studies rely on data which predates significant spatial restructuring of the domestic economy, however.

Turning to corporate giving, only one study has explored spatial variation in corporate philanthropy. Maddox (1981) surveyed 166 firms in ten cities, and used 1979 data at the individual firm level to test a set of regression models of corporate giving. The models focus on differentials in headquarters vs branch plant giving, and on community-level influences on contributions behavior. The cities included in her survey were not geographically representative of all major US regions, being primarily located in the midwest, south, and southwest. Results indicated that firms were more generous, on a per-employee basis, in headquarter cities than in cities where a branch plant was located. However, the aggregate amount given in plant communities was equivalent to that given to headquarter cities, due to the larger numbers of employees in branch plant areas. With respect to community characteristics, Maddox found that only population size affected corporate charity (negatively); the influence of such other factors as government spending on collective goods, philanthropic efforts of other business firms (which could create a bandwagon effect), the extent of local charitable services, and existence of state tax credits for corporate donations were inconclusive and mixed. These results, however, may have been affected by measurement problems and the nature of the data sample, and so more extensive analsyis is clearly warranted (Wolch and Geiger, 1985).

No studies of the interregional variation in foundation giving have been conducted to date although information on the distribution of grants by state is available. The geographic distribution of foundations is highly skewed, with the greatest share of foundations being located in New York state followed (distantly) by California. This is not surprising since these two states have the largest concentrations of industrial and service sector firms which create the personal wealth and corporate basis for establishment of foundations. This implies that the pattern of foundation resources is also likely to be heavily biased in favor of these two states.

The geographic targeting of funds donated by individuals, corporations, and foundations is perhaps more important than the distribution of givers. Particularly in the foundation case, the distribution of donors is skewed but funds may be highly mobile. The Association of American Fund-Raising Council estimates that approximately 65% of all foundation grants are targeted to the communities in which the foundation headquarters are located (AAFRC, 1980). However, this average "leakage" rate of 35% of foundation resources may mask wide interregional variation in the mobility of foundation funds. A recent study analyzed the in/outflow of foundation monies in one major metropolitan area -- Los Angeles (Wolch, 1986b). Using Foundation Center data, I documented the patterns of Los Angeles-based foundation giving to local and nonlocal voluntary organizations, and the extent of giving by nonlocal foundations to Los Angeles-based voluntary service providers. Results indicated that during the late seventies, voluntary organizations in the city received $124 million in foundation grants, of which 69.3% were from nonlocal foundations; Los Angeles-based foundations only allocated $42.4 million to nonlocal groups. Thus the city enjoyed a gain of $43.5 million or 35.1% of its total foundation sector resource pool, from the excess of regional inflow vs outflow of foundation dollars. Los Angeles was a "parasite" city, deriving excess resources from foundations located elsewhere while other metropolitan areas were "hosts" or net-losers of foundation funds.

This study highlights the mobility of foundation resources. However, the full spatial pattern of delivered foundation resources has yet to documented and explained on the basis of such factors as interregional labor or capital mobility; differential rates of growth and decline; needs for social overhead capital or infrastructure; varying fund-raising and lobbying efforts of voluntary groups; or the spatial network of corporate, foundation, and nonprofit elites who make decisions about the spatial targeting of donative dollars.

More work has been directed toward describing and explaining spatial variation in the supply of voluntary resources. At the interregional level, Wolch and Geiger (1986) and Wilson (1985) have analyzed the distribution of tax-exempt organizations, using data from the 1977 Census of Other Service Industries. Wolch and Geiger found that voluntary activity as a proportion of the total regional economy exceeds the national average in northeastern and midwestern metropolitan areas, while being underrepresented in metropolitan regions in the south and west. Differentials in the voluntary share of the economic base ranged from a high of 16% (Boston) to a low of 5% (Houston). In addition, the distribution of voluntary sector employment was found to be more concentrated in northeastern and midwestern cities than national population. These regions developed under different historical circumstances, underscored by variations in popular attitudes toward the proper pattern of public versus private responsibilities, and in the emphasis placed on commercialism, competition, and profits in the provision of social services. However, a cross-sectional view of regional differentials may be misleading: the shrinkage of older metropolitan economies may have placed in sharp relief a voluntary sector which has maintained itself through increased fundraising and public subsidy.

Wilson's findings, based on similar data, show the same pattern even when the voluntary sector is disaggregated into functional groupings. Wilson developed a model to explain this interregional variation, arguing that activity levels should be a function of need, available financial support, and locational factors. Empirical tests of this model suggest that needs and financial resources are somewhat influential and that regional location of metropolitan areas is not important. However, given the model's poor statistical performance, other factors clearly need to be considered.

In a four-city comparison, Wolpert and Reiner (1984, 1985) develop a regional life-cycle framework for understanding interregional variation of voluntary activity, arguing that as new regions grow, funding for voluntary endeavours expands due to influential donor activity; later, as residents pressure for services which more closely approximate their needs, control over organizations becomes more democratic and professionalized. Their results indicate that the voluntary sector accounts for a larger share of the service sector in older metropolitan areas (Philadelphia and Minneapolis-St. Paul), where organizations are older, larger, and better endowed, and where these services are aided by public funding. Newer metropolitan areas (Houston and Los Angeles) have smaller but more rapidly growing voluntary sectors, although the overall distribution of activities within the four regional sectors are similar. Wolpert and Reiner suggest that both older and newer areas share a similar life-cycle path in which the voluntary sector moves from donor to professional management control. More research on a larger number of cities would be helpful to confirm this hypothesis.

At the intrametropolitan and urban levels, research on Los Angeles compliments other urban-level studies which document the sources and uses of voluntary resources (such Reiner and Wolpert, 1981; Luckerman, 1984). The nation's second-largest city provides a preeiminent example of urban restructuring, and as the first city in the first tax-revolt state, public sector retrenchment and privatization have proceeded apace. Using 1977 data from the U. S. Economic Census, Wolch and Geiger (1986) have assessed the contribution of the voluntary sector to the region's economy and the nature of economic linkages to other industrial sectors, particularly the service sector. The study was also designed to estimate the extent of indirect political resources of voluntary groups. Findings indicated that in 1977, the voluntary sector in Los Angeles was smaller than the national average, and represented a lesser share of total service activity in comparison with for-profit service firms. Nonetheless, voluntary organizations taken together are a major source of economic activity; voluntary organizations employed approximately 5% of the regional workforce, generated more than 151,000 additional linked jobs (mostly in the trade and service sectors) together totalling 9% of the regional job base. Voluntary firm expenditures resulted in 7% of regional earnings. Moreover, jobs linked to voluntary expenditures exceeded 5% of total sectoral employment in several industrial sectors, having a particularly large impact on retail trade and business services. Thus voluntary organizations are significant job-controlling organizations, and on that basis alone command important political and economic resources.

Studies by Geiger (1986) and Geiger and Wolch (1986) examine the financial characteristics of 8560 Los Angeles voluntary groups active in the areas of religion, education, international service, health, the arts, social weflare and community services, and general charitable endeavour, using state-level Charitable Trust data. Results show that these groups are less relatively reliant on government grants and fees and receive more income from program service fees and business-related income such as dues, interest, dividents, and sale of assets. This pattern indicates the tendency toward commercialization of nonprofit services in Los Angeles, possibly in response to shrinking public funding. The financial resources of the sector are highly concentrated within a small number of large organizations, suggesting that a few elite groups wield substantial political influence in local affairs.

These studies have focused on Los Angeles as a unified entity. But the region exhibits wide variation in economic welfare, quality of life, and access to social and environmental resources, suggesting the need for a more spatially disaggregated analysis to assess the intrametropolitan variation in voluntarism. Wolch and Geiger (1983) performed a detailed study of the distribution of voluntary social welfare and community services across cities within Los Angeles County, using the state-level data referred to above. Results of the study showed that indicators of service need were not the primary factors determining the distribution of service resources. Thus resources were scarce in cities with large minority and service-dependent populations, as well as in industrial enclaves with small residential populations and affluent outlying suburban communities where needs may be met in the private market. Cities with abundant social welfare and community service resource tended to be older, inner-area, middle/working class jurisdictions. Many voluntary organizations providing social welfare and community services are reliant on government funds; yet those funds are not well-targeted to need. This raises vital equity questions which have never been --but should be-- taken up by public policy.

Lowe (1986) looked at the intracounty distribution of community-based services for the elderly, and found a distinct pattern of public versus voluntary sector responsibility in different types of cities. Affluent, outlying suburbs tended to be "service-rich", and produce services via the voluntary sector, while lower-income working class municipalities surrounding the central city tended to be "service-poor", relying on local public revenues to fund elderly services. Moreover, the mix of services provided in the two types of cities differed. The political and economic bases for this "segmentation" of the elderly services "market" are complex and more research is required to determine if this dynamic operates in other spheres on voluntary activity.

In summary, work on spatial variation of voluntarism is growing. But it remains severely fragmented, incomplete, and often crude in comparison with theoretical advances in the wider geography and social theory literature (Giddens, 1984; Gregory and Urry, 1985). Availability of appropriate data is a central obstacle which must be overcome. But research must go beyond a recognition that the nature, rationale, and impacts of voluntary activity differ depending on historical circumstances or locational setting to consider the time-space contigency of voluntary action. The manner in which space and time actually shape the content and direction of voluntary effort needs to be incorporated into the analysis. Research should not only investigate the location of voluntary organizations within the city, for example, but should also explore how the context of social institutions, particularly the state apparatus, affects this locational pattern; how household time resources and transport access affect everyday routines of participation in the production or utilization of voluntary services, given other demands on time and their geographic location (i.e. work or child-care); or how spatially-defined "regions" of voluntary action emerge on the urban scene and transform social structures in the city.

Voluntarism and Social Change

The changing role of voluntarism in the wake of economic restructuring raises questions concerning the structural limits on voluntary initiatives for social change. To what extent can autonomous voluntary activities transform the state or redirect government policy?

While a heightened reliance on the voluntary sector could represent the re-emergence of an older, pre-welfare state pattern of state/voluntary sector powers and roles, new state and voluntary sector interdependencies are not a simple reproduction of earlier forms. Instead, the rise of the voluntary sector could signal the emergence of a "shadow" state apparatus: a sector with an increasing share of formerly public welfare responsibilities, and increased political resources with which to affect public policy, but which (a) is less accountable to the public, (b) exists outside of key formal democratic controls, and (c) is still circumscribed by government. Such a shadow state apparatus could thereby constitute an alternative avenue by which the state affects the everyday life of the citizenry.

In contrast, the growth of the voluntary sector could signal a very different configuration for the political economic system. Instead of having a stronger influence on public policy and performing (albeit in new ways) certain functions of a shrinking welfare state, the increased size, variety, and resources of the voluntary sector could hold the potential for expanding popular influence on government and for allowing individuals greater self-determination--in short, for creating progressive social change. This is clearly what both pluralist theory and ideological rhetoric surrounding voluntarism implies. But how far can voluntary organizations go before the state intervenes to curb their activism?

It is clear that federal policy initiatives such as OMB Circular 122 were designed to curb specific types of politically active voluntary associations. Yet very little work in the U.S. has been done on the question of the limits to voluntary initiative, although Castells' (1983) research on the broader question of urban social movements is suggestive. However, recent events in Great Britain highlight the centrality of structural limits to voluntary action for social change (Wolch, 1986a). In the British case, both potential roles of the voluntary sector have recently been exploited by central and local governments in a politically explosive manner. As part of its policy of dismantling the welfare state via fiscal retrenchment and privatization, the Thatcher Government has attempted to strengthen voluntary service-providing organizations through contracting-out and changing tax and fiscal policy. This has transfered increasing responsibility to them while increasing indirect central government control over their activities. At the same time, the Labor-controlled Greater London Council (London's regional planning and service authority) has over the past five years dramatically increased funding for development of new and existing grassroots voluntary organizations. This was done to generate new sources of political support, and to realize GLC policy objectives of increasing the power and participation of urban-based social movements (particularly women, ethnic minorities, gays, and other disadvantaged classes); redistributing income within the region; promoting "popular planning"; and combatting Tory Administration policies toward the economy, Ireland, nuclear armament, and local government administration. Grants to voluntary groups, financed by increased local taxation, were also targeted to fill widening service gaps created by central government spending reductions. The mobilization of London voluntary organizations committed to progressive social change, along with other GLC policies, threatened the ideological control and political legitimacy of the Thatcher administration. Ultimately, this threat was so severe that the Government actually dismantled the entire regional tier of local government in Britain as of April, 1986. The fate of voluntary organizations dependent upon public funds is highly uncertain at this time; but it is likely that the sector will be fragmented into two groups: (1) progressive organizations that are involved with grassroots mobilization or campaigning for social change; and (2) what the Government has begun calling "worthwhile" voluntary groups, i.e. large, traditional and conservative service-providing and fund-raising organizations. The latter will receive the majority of government contracts and public subsidies, while the former may wither and perish.

This instance symbolizes the contradictory position of voluntarism within the British political economy. In the United States new research is necessary to more fully understand the role of voluntary organizations in communities where they have become active in local politics and service delivery, such as Santa Monica or Berkeley, California. Genuine autonomy for voluntary organizations requires both the financial ability to initiate new programs and immunity from state intervention. Dependence on public funding led London's voluntary sector to be used as an instrument of a radical local authority bent on increasing its autonomy and creating social change, as well as a means for a conservative central government to dismantle the welfare state. Voluntarism has thus become a pivotal point for struggle over the transformation of social relations in the local and national political economy.

III. Conclusion

Research on voluntarism and its role in the American political economy is still limited in scope, and like other areas of voluntary sector research, remains severely constrained by information availability. Nonetheless, recent work holds promise for development of a more adequate understanding of the structural and political context of voluntary action in a variety of geographic locales. From the standpoint of public policy making, such understanding is vital if state intervention in social and economic life is to be evaluated rigorously, rather than on the basis of ideological rhetoric and wishful thinking. A closer consideration of the linkages bewteen the state and voluntary sector also provides strategic guidance for voluntary associations in the vanguard of social change.

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CURRENT AND FUTURE RESEARCH

There is underway in the United States an extraordinary revival of interest in community organization. The Christian Science Monitor, in a series of articles in 1977, now nearly a decade ago, reported a "groundswell movement of citizens calling for the return of political and economic power to the local level." [1] The estimate then was that more than 20 million Americans were active in hundreds of thousands of neighborhood groups throughout the United States. The National Commission on Neighborhoods listed over 8,000 larger community groups nationally. ACORN, the Association of Community Organizations for Reform Now, claimed in 1980, ten years after it was founded, some 25,000 active dues paying members in ACORN neighborhood organizations in 19 states. Perhaps even more impressive are the more than a dozen organizer-training centers founded in the 1970s to serve the needs of these citizen action groups. While the media continued to tout throughout the 1970s the conservative drift of the nation and wondered, without much regret, what happened to the "sixties generation," many people in the nation increasingly turned away from public and corporate leadership and inward to spaces and interests where they could have more control. And nowhere was this more visible than at the neighborhood level.[2]

This phenomena, which continues into the 1980s, has not gone unnoticed by politicians and activists across the political spectrum. Those on the left see it as a "new populist" movement in the making. From Harry Boyte, the most eloquent proponent of the new populism, to organizers and teachers of organizing, like Mike Miller of the Organize Training Center in San Francisco, they see the "new populism" as the best expression of a real, participatory democracy. They see the groundswell of community organization as a reaction at the grassroots against unchecked and concentrated corporate power. [3]

But the rightwing, nobody's fool in the past decade, has been equally quick to reinterpret the community movement as one of its own. They see it as a perfect example of the citizenry's desire to dismantle the state apparatus and return control to the local level. From Ronald Reagan to George Will and conservative theoreticians at the American Enterprise Institute, the Republican Party is seen as the party which seeks to empower citizens at the grassroots, to give power to the people, and the Democrats, not surprisingly, are portrayed as old fashioned New Dealers committed to continued centralization of power in Washington. [4] William A. Schambra, writing in The Public Interest , declared that a major reason Reagan so handily defeated Mondale in 1984 was that he spoke "the new language of the small republic renaissance." [5]

While the magnitude and scope of support for community organization is startling, it should be noted with haste, lest we mistakenly conclude that a new political consensus is about to be reached in the United States, that all supporters are not talking about and cheering for the same thing. In the rush to ally with the ideas of Thomas Jefferson instead of the programs of Franklin Roosevelt, politicians and propagandists are more than willing to muddy the waters and claim themselves in the forefront of "the community movement."

All of which should make us instantly suspect and cause us to raise some important questions about community advocacy organizations -- past, present, and future. What is the nature of these organizations? How are they similar and different? What are their origins, goals, structures, ideology, sources of fundings, and success rates? How do these organizations interrelate? Is this a community movement or more appropriately a scattered response to the demands and problems of a nation in the midst of a profound economic and social transformation? Most important for my purposes, how can community organizations, to the extent they are democratic manifestations, be more successful and become not only a local but national force for democratic, egalitarian social change?

A brief examination of the types of community advocacy organizations addresses some of these questions superficially and points to the kinds of issues that require further attention. Recent research on community advocacy organizations indicates, for example, that there are at least three dominant approaches to community organization and each acts and relates very differently to the established voluntary sector.[6]

INSERT TABLE 1

The social work approach views the community essentially as a social organism; it focuses on social issues such as building a sense of community, gathering together community service organizations, or lobbying for and delivering social resources. It assumes that the community's problems is basically social disorganization. The organized group is generally working and lower class. The organizer functions either as an "enabler" to help the community gather itself together or as an "advocate" to secure additional services for the community. The strategy is gradualist and consensual, which means that organizers assume a common interest between dominant groups and the community and a willingness of at least some in power to meet community needs. The structure of organizations in this tradition tends to be more formalized and led by professionals trained in schools of social work. Organizations in this tradition vary in their extent of indigenous participation and grassroots leadership, but the professional community worker is almost always the core of the program. She or he provides at least the initial stimulus for the program, and, quite often, the focus and personality of the organization. The social work approach to community organization

Table 1
History of Neighborhood Organizing: Three Dominant Approaches

	Social Work	*Political Activist*	*Neighborhood Maintenance*
Concept of Community	social organism	political unit power base	neighborhood residence
Problem Condition	social disorganization social conflict	powerlessness exploitation neighborhood destruction	threats to property values or neighborhood homogeneity insufficient services
Organized Group	working and lower class	working and lower class	upper and middle class
Role of Organizer	professional social worker enabler and advocate coordinator and planner	political activist mobilizer educator	elected spokesperson civic leader interest group broker
Role of Neighborhood Residents	partners with professional recipients of benefits	fellow activists indigenous leaders mass support	dues paying members
Strategy	consensual gradualist work with power structure	conflict mediation challenge power structure	consensual peer pressure political lobbying legal action
Goals	group formation social integration service delivery	obtain, maintain, or restructure power develop alternative institutions	improve property value maintain neighborhood deliver services
Examples	Social Settlements Community Centers Cincinnati Social Unit Plan Community Chests United Community Defense Services Community Action Program United Way	Unemployed Councils Tenant organizations Alinsky programs Student Non Violent Coordinating Committee (SNCC) Students for a Democratic Society (SDS) Association of Community Organizations for Reform Now (ACORN)	Neighborhood Preservation Associations Neighborhood Civic Clubs Property Owners' Associations

sees itself as a social enterprise and operates within the general orientation of the social work profession.

Moreover, the social welfare approach reflects its liberal origins in charity work and social engineering. At their best social welfare projects coordinate and deliver needed social services to the poor and working class. At their worst they are elitist and manipulative, seeking to maintain existing class arrangements by palliating social problems and coopting social disorder. In both instances the social welfare community organization project serves at the pleasure of established, public and private, civic leaders and foundations. They are supported, and limited, by "mainstream" charity sources such as United Way. Community workers may seek to do more in the way of advocacy; they may seek to gain some power for working people and even challenge the causes of poverty and powerlessness which plague their clients. But in general the reformist vision, liberal objectives, consensus strategies, scanty resources and power, and professional orientation characteristic of the social welfare approach militate against developing democratic grassroots projects which, by altering class and power arrangements in their favor, could truly serve the interests and needs of community residents.

The political activist approach regards the community as a political entity and/or potential power base. It focuses on obtaining, maintaining, or restructuring power. Or, if it does not seek to empower community residents, it is overtly political in that its goal is to develop alternative institutions. The community's problem, as defined by organizers, is the absence of power needed to defend the neighborhood and/or give people more control over their lives. The organized group is generally lower and working class. The organizer's role is first to help the community understand its problem and potential power and then to mobilize it around this understanding. The strategy of the political activist ranges from consensual to confrontational, but in all cases it is rooted in the presumption of a conflict of interest between the community and those in power. The organization usually has a less professional and less formal structure than groups in the social work tradition, and leaders -- if not organizers -- come more often from the neighborhood. Where organizers focus solely on their own goals of building the organization rather than on meeting community needs and developing meaningful democratic participation, the political activist approach, like its social work counterpart, can take on an externally led and autocratic posture. Where the political activist approach differs most significantly from the social work model is in its "challenging group" perspective. The social work approach seeks a class rapprochement based on a "partnership" between upper-class supporters, social welfare professionals, and working and lower-class residents. The political activist type, on the other hand, seeks to promote -- and sometimes even resist -- social change by challenging those in power, most often at the local level but not infrequently at the national level too.

As Paul Wellstone noted of his experience with an Alinsky-style organization, the Organization for a Better Rice County, "If I had to pick out the most significant thing that has happened since OBRC's inception, it would be the dramatic change in the political consciousness of the poor." [7] The raised political consciousness to which Wellstone refers does not develop in social welfare and neighborhood maintenance efforts which seek consensus with the powers that be and which seek to limit and manage conflict. Moreover, philanthropic and voluntary action sources of funding tend to demand tangible results for their investment. Tallying specific services delivered, buildings built, numbers of participants served is critical to receiving continued financial support. In such a context, advocacy work of the political activist type is near impossible for social welfare organizations dependent on traditional funding sources. One settlement leader in Houston noted a few years ago, for example, that his organization had not done community organizing since the early 1970s because most of the benefits of that type of organizing occured as intangible changes in people's lives -- a greater sense of personal dignity, hope, self-confidence, and power -- and this was not what the voluntary sector was willing to support.

Political activist efforts are not supported by traditional sources -- funding usually comes from the local community or social change-oriented foundations and churches -- because they are more overtly political and conflict-oriented, or at least willing to engage in political conflict if necessary. Recent studies indicate that people in neighborhood organizing efforts benefit personally and politically from conflict, though in the short term such conflict may be painful and disharmonious. Kathleen McCourt emphasizes in her study of working-class women organizers that participation in assertive, conflict-oriented, community organizations was a politicizing experience in and of itself, regardless of the issues addressed by the women. Participation in such organizations helped members see the implications of their concerns and armed them with new information, greater self-confidence, and pride. In short, conflict empowers people, for even a defeat against what most of the women saw an an "all powerful" power structure was often a psychic victory which led to continued efforts and greater involvement. [8]

But conflict develops more than individual potential. It prevents a neighborhood organization from becoming a static formal organization and can encourage it into being a dynamic training ground for democracy. In conflict people are forced to examine their own beliefs, confront the political system, and experiment with strategies of resistance and democratic insurgency. [9] Unfortuntely, such advocacy groups are the ones most often shunned by the voluntary sector. The support of Alinsky efforts by the Catholic church and the financial support of the civil rights and women's movement appear to be exceptions which prove the rule.

A third tradition, less commonly thought of as community organizing, focuses on neighborhood maintenance. Here the community is defined as the residential area. The problem is maintaining and improving the neighborhood while opposing external and internal threats to its permanence and commercial value. The organized group is generally upper and middle-class. The organizer comes from within the neighborhood and serves as an elected representative and civic leader of the association; the neighborhood residents serve primarily as dues-paying members of the organization. The strategy is generally one of consensus, wherein the association first applies neighborhood peer pressure to resolve problems and, then, if necessary, resorts to political and legal channels. Unlike the political activist approach, which will publicly confront local officials, neighborhood maintenance associations function as traditional interest groups, most often working quietly behind the scenes in cooperation with local officials. The goal is to promote the neighborhood status quo, focusing essentially on maintaining, if not improving, property values. Unlike the social work and political activist approaches, the neighborhood maintenance tradition is most often found in outer-city communities and suburbs, where residents own single-family houses and where they have a vested property interest in protecting their neighborhood. A study of 197 homeowner associations in Indianapolis, for example, did not find a single one in "lower socio-economic" areas of the city. 10 Because more affluent neighborhoods have greater success in securing services and convincing local power brokers of their needs, neighborhood maintenance associations are usually free of major problems and pressing concerns, except when they are threatened by forces of commercial development or social change. Whereas the social welfare approach seeks a class rapprochement and the political activist type challenges those in power, the neighborhood maintenance tradition seeks to defend its interests and maintain the status quo.

Neighborhood improvement associations in affluent communities tend to act as neighborhood interest groups more than as community-oriented organizations. They have limited citizen participation, are led by the more established residents in the community, pursue political and economic interests by going through established channels, and in general do little to create or sustain real community life. They may give the neighborhood a stronger voice at City Hall and they may supply or coordinate the delivery of certain services deemed necessary to maintain or improve the neighborhood. But because their primary objective is improving property values, neighborhood improvement associations tend to bind people together only around a limited and material self-interest. To the extent that the fundamental goal is not the maintenance of property values but the promotion of community life or the protection of the community against commerical or urban renewal forces, neighborhood improvement associations tend to become more participatory and better grounded in neighborhood life. Moreover, in terms of the independent sector, such efforts rarely seek external support, being funded almost always through membership dues and resident contributions. 11

It is an error, however, to paint these three traditions of community advocacy organizations into completely exclusive corners. In the decade preceding World War I, for example, partly because of the still weak professionalization of social work, the social work and political activist traditions occasionaly overlapped in the more progressive social settlement houses. In the 1960s the two traditions overlapped again, as the decade's political ferment forced them together. Activist organizers and the organizations they were involved with -- SNCC, SDS, and a host of other efforts spawned by the civil rights and new left struggles -- forced those in the social work tradition to reexamine their consensual and social service approach to community organizing. At the same time, the Great Society coopted many activists into a form of community organizing which straddled both traditions but, as exemplified by the Community Action Program, was rooted in the social work approach. 12

The tougher nut to crack and an area requiring much more investigation is the relationship between neighborhood maintenance and political activist efforts, between seemingly conservative -- at times reactionary -- efforts and those on the Left. In an important study of populism in England Craig Jackson Calhoun details how radical organizations can develop out of "conservative" communities when these communities confront social changes which threaten communal relations and attachments to family, friends, and customary ways of life, and which leaves them nothing to lose. 13 Most traditional communities tend to develop conservative neighborhood organizations. But given certain historical conditions, such locales do become radical to defend what they have. Similarly, successful "radical" organizations often become more conservative when they achieve or seek to achieve greater success. Increasingly it seems from an investigation into the varieties of community advocacy organizations that while all advocacy organizing is political -- the social welfare and neighborhood maintenance types are no less so than the political activist one --traditional political labels are not entirely satisfactory, especially since such labels are relative and the process of democracy is not static.

After identifying the nature of community advocacy efforts, larger questions come into focus. Community movements must be seen in a macro as well as micro context. Conditions at the local level directly spawn and nurture neighborhood organizing projects. But they are also the products of national and even international political economy. How do local efforts relate to larger developments? How are community projects affected by and how do they affect social movement formation? What are the limits of community-based efforts to address problems which are not local in origin? Or put another way, what is the potential of community advocacy efforts to achieve broad social change as well as incremental local victories? What do they need to do next to achieve this objective? All of these questions and, of course, much more, remains to be addressed in the literature.

The diversity of community advocacy organizations -- from social settlements to ACORN to neighborhood civic clubs -- makes a brief discussion of prior and current literature impracticable. The field includes social workers, historians, poltical scientists, sociologists, urban planners, and activists. Each tends to address a set of related but different questions about community advocacy and within each group there is a wide variety of approaches, politics, and perceptions. For more information on the seminal and current works on the subject see the bibliographical essay in my Let The People Decide: Neighborhood Organizing in America. [14] That work emphasizes, as the above typology of community organizations did, the variety of neighborhood organizations, the importance of the macro as well as micro context in determining the nature and success of community efforts, and, among other themes, the importance of ideology/political education in the community advocacy process. It concluded that community advocacy efforts needed to be built on more than material rewards, that their ability to continually deliver material rewards and incentives was very limited, and that in order for community advocacy organizations of the political activist type to sustain themselves and promote long-range objectives they must be built around issues of personal development and an ideology that articulates a sense of purpose extending beyond individual advantage. [15]

Another recent book, Ann Withorn's Serving the People: Social Service and Social Change, emphasizes a similar point, noting that all community advocacy is fundamentally political and ideological. As she describes for the feminist, black power, and farm workers movements, recipients of services were galvanized by the politics and ideology of the organizations and, accordingly, became active contributing participants in the movements and organizations, not simply passive clients receiving services from professional experts. [16]

HOW CAN THIS RESEARCH BE USED?

How this research can be used depends of course on who is seeking to use it and for what purposes. For members of the philanthropic sector it means they should reconsider their unwillingness to support community advocacy organizations which are overtly political --in that they address issues of power --

and ideological -- in that they have a stated but non-dogmatic critique of the past, present, and future which may conflict with the perceptions of the affluent and the corporate sector. If the philanthropic sector is truly interested in the public good, if it believes in democracy and the empowerment of the nation's citizens, and if it is to help society achieve its potential as an equitable and just democracy, then community advocacy organizations need to be funded without strings attached. The history of philanthropy details the opposite -- a series, with notable exceptions, of efforts at social control and social amelioration. This calls into question, of course, the relationship between community advocacy organizations of the poor and powerless, on the one hand, and funding sources of the affluent and powerful. This brief paper can not even begin to address the class and political questions involved, but I presume such will be the basis for much of our session's discussion.

For community organizers and activists the fact that community advocacy organizations are not inherently democratic or progressive means that political education and issues of ideology/philosophy are much more important than previously considered. The history of community organization since at least the 1930s emphasizes that for organizing to be effective it must be "non-ideological." At one level, as Fisher, Withorn, and others demonstrate, that is ridiculous -- all organizing is ideological, just as it is political. It is still far from clear what is the potential for broad social change of community advocacy organizations. But for community advocacy to have greater impact the nature and importance of ideology, values, vision, and political critique all need to be understood better and integrated more successfully into the organizing process.

NOTES

1. McBride, 1977.

2. Fisher, 1984a; Fisher, 1984b; Boyte, 1980. (Much of this paper is adopted from portions of Fisher, 1984a and 1984b.)

3. Boyte, 1980; Boyte, 1984; Social Policy, 1985; Kahn, 1982; Rosenbloom, 1979.

4. Berger and Neuhaus, 1977; Will, 1985.

5. Schambra cited in Will, 1985, 80.

6. Fisher, 1982; Fisher, 1984a. For another typology see Rothman, 1979.

7. Wellstone, 1978, 204.

8. McCourt, 1977, 100.

9. Goodwyn, 1978.

10.Rich, 1977.

11.Fisher, 1984c

12.Grosser, 1972; Galper, 1975.

13.Calhoun, 1983.

14.Fisher, 1984a, 179-87.

15.Fisher, 1984a.

16.Witnorn, 1984.

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SECTION ELEVEN - CURRENT PUBLIC POLICY AND VOLUNTARY ORGANIZATIONS

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THE FUTURE OF VOLUNTARY ORGANIZATIONS IN SOCIAL WELFARE

by
Ralph M. Kramer

Prepared for
Current Public Policy and Voluntary
Organizations Panel
March 14, 1986

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"Since Henry VIII dissolved the monasteries, people have been talking gloomily about the declining role of voluntary organizations in the provision of social welfare services."

W. B. Harbert

Context and Assumptions

There is an American tradition of viewing with alarm the future of the voluntary sector in social welfare. Periodically during the last 50 years the situation of nonprofit social service agencies,[1] particularly their relationships to government, has been described by its leadership as a crisis or a threat to survival. The impending calamity has usually been described in fiscal, organizational and ideological terms. A decade ago, difficulties in fundraising, governmental encroachment on the domain of voluntary agencies, and unfair tax policies were cited as undermining the values of pluralism and voluntarism in the United States.[2] In the 1980s similar themes have been sounded but with the important difference that the uncertain future of the voluntary sector is now linked, for better or worse, to the fate of the welfare state, which is also perceived to be in serious trouble with an inexorable slowing of its growth rate. Having become more dependent on governmental funds than on contributions for their support, many voluntary agencies confront an unprecedented fiscal crisis as a result of actual and projected reductions in Federal spending on social service programs in the 1980s. During the last five years there has been much speculation and considerable research on the impact of cutbacks on the more than 41,000 social service organizations, their 933,000 employees and millions of clients involved in the expenditure of 13.7 billion dollars in 1980.[3]

While the periodic concern about the future of voluntary agencies in the U.S. has invariably been cast in terms of their relationship to government, since the 1960's the social service economy has become increasingly mixed, and much of the conventional wisdom regarding the character and role of the public and the private sectors and the distinctions between them is no longer appropriate. The obsolescence of traditional dichotomies is reflected in the growing use of such rubrics as the "new political economy," "the contract state," welfare pluralism and "private Federalism."[4] Not only are most social services available under both governmental and non-profit auspices, many services are increasingly provided by profit-making organizations which may be locally-owned or subsidiaries of national corporations. This is particularly true in the field of child welfare where profit-making organizations have rapidly become the dominant contractors with government for the provision of residential treatment, day care, and group homes, as well as for substance abuse programs.[5]

The current relationships between these co-existing institutional systems which will probably continue during the next decade are the following: together with government and profit-making organizations, voluntary agencies may relieve, replace, or reinforce the primary social systems of family, neighbors and friends which are still the major source of care and treatment. In the public sector, voluntary agencies may substitute for, influence, supplement and improve the work of government, or they may offer complementary services different in kind, or they can function as a public agent or vendor. In addition, voluntary agencies compete with profit-making organizations in many fields of social service.

We shall return to the significance of organizational auspices and its implications for the future of the voluntary agency. Despite these major changes in the relationship among the sectors in which there is an extensive and probably irreversible mingling of public and private funds and functions, we lack appropriate concepts, models and empirical research to reflect this new reality. In view of the absence of an adequate theoretical framework, what can research contribute to a better understanding of the future prospects of voluntary agencies? Because the type of questions asked determines the kind of answers received, it is important to distinguish between: 1) what will be, 2) what can be, and 3) what should be. I shall discuss all three of these perspectives beginning with a few "surprise free" projections of the future organizational environment of voluntary agencies which will raise a basic question: How could agencies cope more effectively with this environment? To answer this question, I review what happened during the last decade when voluntary agencies confronted major changes in their fiscal systems. This, in turn, suggests a more fundamental query: What can we expect from voluntary agencies as organizations, i.e., What kind of organizations are they? What do we know about their distinctive competence, vulnerability, and potential?

The third question--what should be--will be considered from both a macro, or social policy perspective and on the micro-level of voluntary agency management. The underlying assumption of this approach is that although the future cannot be predicted--even "inevitable" trends can take on substantially different socio-political shapes--we can still try to make the future more intelligible and reduce uncertainty by analyzing what is known and not known about voluntary social agencies.

I start with the belief that regardless of the particular set of demographic, political and economic factors projected, certain trends will continue. For example, the future interorganizational environment will be increasingly uncertain, unstable and turbulent; there will be much more competition among nonprofits and between them and for-profit organizations for diminished governmental funds for the social services in which the State arena rather than the Federal will become more important. In addition to threatening the survival of many voluntary agencies and curbing the development of new, small and/or controversial organizations, these trends can be expected to blur even further the differences among the various types of social service providers. There will be more emphasis on the capacity to generate more of their own income internally and to secure additional funds from nongovernmental sources. As we shall see, two key management challenges confronting voluntary organizations will be coping with entrepreneurialism and vendorism.[6]

The Great Transformation: From Voluntarism to Vendorism

This foregoing projection is based on an analysis of the major changes in the interorganizational environment of voluntary agencies during the last two decades, a process which is by now well known. Beginning in the 1960s, a continuous decline in contributions and an increase in operating costs, aggravated by an inflationary spiral coincided with the greater availability of public funds for voluntary agencies, particularly since 1965. This trend was reinforced in 1974 when Title XX of the Social Security Act resulted in an enormous increase in purchase of service arrangements in which they approximated over two-thirds of the total expenditures under Title XX. Revenue from governmental sources rose to constitute approximately a national average of 46% of the income of United Way agencies, although this varied greatly by fields of service and by states. For example, an average of over 70% of the income of United Way agencies in the fields of child welfare, aging and drug abuse continues to be derived from government.[7]

Thus, many voluntary agencies were able to more than compensate for the decline in contributions, and they continued to expand their programs through a process that has been variously called "nonprofit federalism" or "third party government" in which these nonprofit organizations became part of the governmental personal social service delivery system. In 1980, an estimated 6.5

billion of Federal funds was channelled to the nonprofit providers of social services, which represented about one-third more than the total of all private contributions to these organizations. Thus, nationally, a great displacement has occurred in which governmental support has become a more important source of revenue in the social services than all private giving combined. At the same time, however, by 1984, nonprofit social service agencies had lost 37% of their 1980 level of Federal support and by 1987, this could be reduced to 50% of the 1980 level.[8] Not all agencies were equally affected; large, well-established, multifunctional organizations, or at least those with multiple sources of income, survived the cuts much better. The program areas hardest hit were at the margins of the traditional social services, particularly Great Society programs serving the poor such as legal aid, advocacy, and employment training. To cope with these cutbacks, voluntary agencies reported reducing or curtailing services, a greater use of volunteers, increasing fees and/or staff workloads, reorganization of management systems, and securing alternative sources of funds from other governmental grants, corporate or foundation giving.[9]

Contrary to the expectations of the Reagan administration, private charity did not fill the gaps caused by Federal cutbacks in social service spending; indeed, less than one-fourth of these reductions were made up by contributions. Instead, many agencies turned to commercial and other sources of earned income such as increased fees, while others benefited from the "pass-thru" of Federal aid in which state and county governments increased their share of matching funds to replace the losses. On the whole, however, the Reagan administration has not yet succeeded in its strategy of shifting responsibility for the social services from the Federal government to the states and to the voluntary sector, although these efforts can be expected to continue.

Effects of Vendorism

Government will probably continue to rely heavily on nonprofit service providers; hence, it would be useful for policy and management purposes to have more systematic information about the factors influencing the differential capacity of voluntary agencies to adapt to changes such as retrenchment in government spending: Why do some succeed and others do less well? What is the role of executive leadership? What structural factors contribute to successful adaptation? In addition, more empirical studies are needed of the practice of governmental purchase of social services and the effects on clientele and the organizations involved in contracting. There is some information on why voluntary agencies are used by government to carry out a public purpose. Governmental officials generally cite lesser cost, greater flexibility in starting and terminating services, the ability to bypass bureaucratic constraints and to serve hard-to-reach groups. Yet these same features of voluntary agencies are perceived as the source of their major disadvantages as a public agent, i.e., lack of accountability, inadequate management, and the readiness to use political influence.[10]

Furthermore, it is widely believed that among the dysfunctional consequences of receiving public funds are dependency, cooptation and a dilution of advocacy, loss of autonomy and an agency's voluntaristic character. In these ways, the voluntary agency can become a quasi-nongovernmental organization (Quango). The available evidence collected during the last decade in independent studies in the U.S., Canada, Australia, United Kingdom, Israel and the Netherlands suggests, however, that these dangers are considerably exaggerated and that the impact of governmental funds in controlling voluntary organizations is much less than is commonly believed. On the contrary, most agencies reported that governmental funding enabled them to carry out their existing programs more effectively by providing previously lost resources.[11] The Urban Institute's national survey in 1982 of 3,411 nonprofit organizations, turned up little evidence of agency concern that government had distorted their mission.[12] Findings from an extensive survey of voluntary organizations in Australia and a more limited one in England also failed to show that the independence or the basic purposes of the voluntary organization had been significantly altered as a consequence of governmental funding, nor was advocacy constrained.[13]

What might explain this conclusion which seems so contrary to the conventional wisdom that he who pays the piper calls the tune? Among the external factors that seem to reduce the constraining effects of public funds on agency autonomy are the following: the payment-for-service form of most transactions which involves less control than grants or subsidies; the diversity of voluntary agency income sources, thus lessening dependency on any one; the countervailing power of a voluntary agency oligopsony (few sellers) of a service required by governmental agency for its clients; political influence of the voluntary agency, and lack of incentives and capacity for stricter accountability by government. Other conditions limiting governmental efforts to exert more control over its agents or vendors are the fragmented structure of the service delivery system which makes close supervision exceedingly costly, and the inherent difficulties of evaluating the outcomes of the social services.[14] Perhaps the issue can be rephrased, not as the preservation of voluntary agency freedom, but the development of knowledge on how to make public service providers more accountable without restricting the very qualities of flexibility and individualization that make voluntary agencies desirable alternatives.

These considerations should not minimize the serious fiscal management problems connected with the use of public funds, such as cash-flow delays, excessive and conflicting reporting requirements, or voluntary agencies having to use their own resources to cover deficits created by nonrecoverable or unexpected costs incurred. A voluntary agency faces several fiscal dilemmas when it functions as a vendor or public agent. If it does not receive full reimbursement, then it must make up a deficit, which, in New York City, averaged almost 18% of the provider's budget.[15] If an agency charges what it regards as the 'full' cost, then the rate of reimbursement may be sufficient to attract competing profit making organizations. Finally, unless there is some cost advantage, the governmental agency may have no incentive to contract for the service.

There are other problems associated with vendorism that have a particularly damaging impact on many small community-based organizations whose size, low degree of bureaucratization and professionalization make it difficult for them to compete with other nonprofit sponsors of social services, as well as to comply with governmental regulations. There are numerous fiscal restrictions and uncertainties due to the annual funding cycle, including underfunding which deserve more study if we are to understand better the impact of future governmental funding of voluntary agencies, and better ways of coping with these constraints.[16]

Other important factors influencing the fiscal relationships of voluntary agencies whose specific effects have not been analyzed sufficiently include: the form of financial transfer (grant, payment, reimbursement); the type of service delivered; the extent to which performance standards can be specified and monitored; the agency's size, degree of bureaucratization, professionalization and organizational "slack." Some fundamental questions suitable for research are: What are the incentives and constraints in different fields of social service for contracting? What organizational structures and processes are most likely to produce desired outcomes such as cost effectiveness, high quality and accountability? Future research might be more productive if the partnership model were abandoned as a theoretical framework for governmental-voluntary agency relationships and instead, market metaphors as well as power and exchange theories were employed.

Hazards of Entrepreneurialism

Most studies of voluntary agencies have noted the special vulnerability of the voluntary agency to goal deflection, stemming mainly from its Achilles heel of donor dependency whether public or private. Although all organizations are dependent on external resources, voluntary agencies are notable for their high degree of income pluralism. As Geoffrey Vickers has suggested, the source of resources determines the types of and standards for success and failure, the character of decision making, accountability, and the external relations of an organization. Yet there are virtually no empirical studies of the influence of different funding patterns on organizational goals, structure and service delivery that could contribute to both social policy and the better management of voluntary agencies. It seems clear, that for the remainder of the 1980s at least, voluntary agencies depending on their fiscal strategies, will be confronted with the related dilemmas of vendorism and entrepreneurialism, both of which have an exceedingly high potential for goal deflection.

It is not surprising that with reductions in their governmental income, many voluntary agencies have been attracted to the prospect of earning funds not dependent on grants or contributions. While "cross-subsidization"--using income from more profitable activities to finance services which do not pay their own way--has long been practiced by voluntary agencies, the rapid growth of commercial ventures under nonprofit auspices has aroused considerable concern. The launching of a subsidiary business enterprise has been described as the "hottest area of nonprofit funding" and includes thrift and gift stores, restaurants and catering services, periodicals and mail order services, housing and real estate syndication, cable TV franchising, nurseries and garment factories, etc.[17]

In competing with for-profit and other nonprofit organizations for governmental service contracts and for customers for their income producing subsidiaries, it is feared that voluntary agencies can lose their distinctive identity and become more like a commercial organization, just as vendorism may lead to their becoming Quangos. Is there a Gresham's Law for income generation in which it can drive out other goals and values and bring about major changes in the basic purposes of a voluntary agency? Under what conditions can market considerations become more important than "community need" or other such typical, nonprofit criteria in the selection of clientele and program? To what extent are vendorism and entrepreneurialism leading to an increasingly stratified service delivery system?

Organizational Character and Role

To answer these questions and to assess the impact of these changes in the fiscal environment on the future of voluntary agencies, we should know more about them as organizations. To paraphrase March and Simon, not much is known about them but it has been said over and over again in a variety of languages.[18] Despite their ostensible importance and the concern about their future, there is still a scarcity of empirical research on voluntary organizations or theories that could contribute to a knowledgeable assessment of their distinctive competence, vulnerability and potential. Ignored by social researchers and their influence and virtues often exaggerated by enthusiastic supporters, voluntary organizations have usually been regarded as quasi-sacred symbols of altruism, charity and civic benevolence, taken for granted as social institutions, but rarely considered worthy of serious study. Consequently, with a few exceptions, the literature on voluntary agencies is ideological or hortatory, with stereotypes and impressions usually filling the data gap. There is no coherent theory to account for their development, change or decline, nor is there any generally accepted classification of this hybrid of a public service bureaucracy and a voluntary association. In fact, little is known empirically what difference it makes if government, a voluntary agency, a self-help or neighborhood group, or a profit-making organization provides a social service. It may be that organizational sponsorship, or "ownership of the means of production," is much less significant than the manner in which the service is delivered, i.e., *how* is more critical than *who*. It is possible that organizational size, degree of bureaucratization and professionalization, complexity, and the type of technology may be more decisive than the legal form of ownership in influencing utilization, cost, quality, accountability and effectiveness, but there is virtually no research on this issue.[19]

Yet, most descriptions of the character, goals or functions of voluntary agencies imply the performance of four organizational roles. 1) As *vanguard*, its purpose is to innovate, pioneer, experiment and demonstrate programs, some of which may eventually be taken over by government. 2) As *improver* or *advocate*, voluntary agencies are expected to serve as critics, watchdogs or gadflies as they pressure government to extend, improve or establish needed services. 3) As *value guardians* of voluntaristic, particularistic and sectarian values, a voluntary agency is expected to promote citizen participation, develop leadership and protect the special interests of social, religious, cultural or other minority groups. 4) As a *service provider*, the voluntary agency delivers those services it has selected, some of which may be a public responsibility that government is unable, unwilling, or prefers not to assume directly or fully.

As human service organizations, whose "raw materials" are people, their multiple goals are ambiguous and problematic; they rely heavily on professionals and an indeterminate technology in which staff-client relationships are the core, and they lack valid measures of effectiveness.[20] They are also said to be resistant to change and innovation, and even supporters join in this somewhat bleak assessment by pointing to such "typical undesirable tendencies in voluntary organizations as excessive bureaucratization, insufficient financing, wasteful, excessively narrow issue advocacy, insufficient opportunities for participation in decision making, ineffective accountability, increasing centralization, inadequate long-range planning, rigid allocational patterns and marginal utility."[21] At best, these sweeping criticisms should be considered hypotheses-to-be-tested, along with other similar, but more laudatory generalizations such as the belief that ."... private agencies may be able to generate efficiently and intelligently within their spheres, may be more sensitive to small-scale problems than government."[22]

Traditionally described as "innovative," "pioneering" or "flexible," what the voluntary agency *should* or *could* be has often been confused with what it *is* or *was*. The four roles cited above tend to be more normative than descriptive and could be reformulated on a more empirical basis. For example, instead of the vanguard role being identified with pioneering and governmental takeover (a rare occurrence), *specialization* would seem to be a more reasonable expectation because of the intrinsically particularistic and selective character of most agency services to groups that tend to be overlooked, have a low priority or are still too controversial for government. Specialization and volunteerism distinguish voluntary agencies from their profitmaking counterparts but somewhat less from many governmental programs. "Consumerism" can also be claimed as a distinctive voluntary agency attribute when clientele are involved in the policy making and management of the organization, a condition expressed in its purest form in self-help or mutual aid associations. Because neither governmental nor voluntary agencies have a monopoly on service innovation or the use of volunteers, then *advocacy* may be one of the few unique features of the voluntary agency and one which could become more important as organizational differences diminish and the social services become more universal. Research is needed that would test hypotheses about the conditions and the extent to which voluntary agencies can actually perform these roles.

Size, Structure and Governance

Other distinguishing features of voluntary organizations revealed by some recent research pertains to their size, structure and governance. Most of the estimated 41,000 voluntary agencies in the U.S. are considered small with respect to the size of their budgets, number of staff or clients served. In the 1982 Urban Institute study of 3,400 nonprofit social service and other agencies, 75% had annual budgets under $500,000, including 40% whose expenditures were less than $100,000. Over three-fourths of the expenditures were made by 15% of the larger agencies with budgets of a million dollars or more each. These large agencies were also older and more established than the others, two-thirds of whom were founded during the 1960s, relying heavily on the increased availability of Federal funding which contributed substantially to their growth.[23]

Marginal size may explain some of the frequent complaints about the prevalence of inefficient management as well as "fragmentation" in the voluntary sector. Small size may also account for the flexibility usually attributed to voluntary agencies, but at the same time, this advantage may be offset by their greater fiscal dependency and difficulties in complying with accountability requirements. Large or small, however, most voluntary agencies are unusually dependent on the quality of their executive leadership, and therefore, more subject to idiosyncratic rather than structural factors. The importance of interpersonal variables and on intangible incentives for participation and support was suggested in James Q. Wilson's observation that "a non-pecuniary organization must tolerate a great deal of foolishness if it is to survive."[24]

Related to the size of voluntary organizations is their characteristic structure. While usually loose and informal in their early formative stages, particularly those described as "alternative" or community-based organizations, as they struggle to establish their identity and domain, most voluntary agencies become more bureaucratic and professionalized over time. Moving through a rather predictable series of phases, they develop a hierarchical pattern of authority, including a division of responsibility and work rules based on policies adopted by the board, and presumably are subject to characteristic bureaucratic pressures toward ritualism, conformity and insularity.[25]

Despite their relatively small size, many voluntary agencies can be described as "mini-conglomerates," because they sponsor many different programs such as counseling, day care, family life education, information and referral, advocacy, etc. It is not unusual to find multiple service agencies with upwards of 15 or more programs. The larger and more complex they become, the less distinguishable they are from their governmental or profit-making counterparts, despite the differences in their mandate, scope and resources. During the last 20 years, public fiscal policies by making funds available to nongovernmental organizations, have contributed greatly to the blurring of differences among social service agencies, and they have all become more entrepreneurial, political, bureaucratic and professional.[26]

While the organizational structure of the voluntary agency expresses its bureaucratic character, its pattern of governance indicates its roots as a voluntary association. The distinctive hybrid nature of the voluntary agency as a blend of lay control and professional direction has the customary advantages and disadvantages of other citizen-sponsored organizations governed by democratic norms. Unique in voluntary agencies is a system of parallel governance establishing both lay volunteer and professional authority, each with its own functions, values and interests, but still interdependent. Between lay and professional, particularly between board and executive there are built-in possibilities for role strain and conflict which have received relatively little attention. Although traditionally referred to as a "partnership," the ubiquitous relationship between the board and the executive is more complex and fluid, reflecting significant differences in their status, norms, roles, authority, responsibilities and ultimately, their power.[27]

Although there is little research on the character (roles, size, structure and governance) of voluntary agencies, it at least points in the direction of a more objective perspective on organizational behavior which places greater emphasis on evidence than on the mystique of voluntarism. More realistic expectations could be useful when professional and volunteer leadership reassess the capacity of their agencies to cope with the future.

Policy and Management Issues

There is still another approach to identifying the distinctive competence of voluntary agencies which is related to the third question about the future--what should be--and which refers to the sectoral division of labor. This can be considered from a macro perspective on social policy regarding who should do what and why. On the micro, or agency level, the question becomes, what should the management of voluntary agencies do?

Among the sources of answers to the policy question on the division of responsibility are: 1) economic theories about the nonprofit sector; 2) past efforts of social planners to identify certain social services as more appropriate for one auspice or the other; and 3) the ideology of empowerment.

1) Two sets of theories have been proposed to account for the existence of a third sector in addition to government and the market. In comparing nonprofit organizations with government in the production of quasi-public goods, the existence of nongovernmental agencies has been explained as a form of "market failure" due to the existence of excess and heterogenous tastes in situations where economies of scale are small. In comparing nonprofits with profitmaking organizations, "contract failure" is involved whereby nonprofits are regarded as more trustworthy in situations where there is inadequate information regarding outputs, mainly because board members do not derive any financial gain from their participation, the so-called "nondistribution constraint."[28]

A recent critique of these theories reveals major logical and empirical deficiencies which would question their validity and utility.[29] For example, governmental utilization of nonprofits is a mixed product of historical, political and pragmatic fiscal factors, rather than a function of market behavior by consumers. Even the distinction between profit and nonprofit is often a matter of accounting definitions to justify contribution deductibility and tax exemption whereby the excess of income over expenditures ("profit") is not distributed to board members; rather, it is invested in increased staff salaries, fringe benefits and/or facility development.

2) In attempting to answer the question, who should do what, none of the past efforts to identify certain social services as more appropriate for government or nonprofit auspices have succeeded in discovering criteria for a more coherent or consistent pattern.[30] Obsolete metaphors such as the theories of the "parallel bars" or "extension ladder" which originated in the 19th century have been succeeded by equally inappropriate and simplistic notions of "partnership," a term which not only masks the actual power relationships between governmental and voluntary organizations, but also obscures the existence of other social service providers in the market and in the informal sector. In one of the few empirical studies of the respective domains of governmental and nongovernmental social welfare agencies, Michael Sosin found in 1982 that in a sample of 675 social agencies in Wisconsin, their service domains were similar, and that public funding of voluntary organizations encouraged further similarities. The only exceptions were a clear-cut division of labor in the provision of long-term

financial support and in certain areas of social control. Otherwise, public and voluntary organizations were found together in virtually all fields of service.[31] There are now three overlapping systems in which it is estimated that nonprofits receive about 40% of the governmental funds in the social services; profit-making organizations, 20%, with government spending 40% directly. The processes of sectoral interpenetration of funds and functions have proceeded so rapidly and thoroughly that the blurring of sectors is probably irreversible, and makes any future claim of voluntary agencies for a distinctive field of service more difficult to support.

3) These processes have been reinforced by pressures generated by proponents of "empowerment" on the both the Left and Right who expect that as government does less, voluntary organizations should or could do more. Empowerment places its faith in all forms of citizen participation and encourages greater utilization by government of "mediating structures" such as nonprofit organizations, religious institutions, neighborhoods and informal social networks. Two broad policies are recommended to ensure welfare pluralism: public policy should protect and foster these mediating structures by not damaging them, and whenever possible, government should empower them with the resources for the realization of public purposes. Both in the U.S., as well as in Europe, advocates of empowerment are characteristically vague about funding, although it is usually implied that costs in the voluntary sector will be less.[32]

Most supporters of empowerment tend, however, to lump together indiscriminately all forms of volunteerism and mediating structures and to regarded them as equally desirable and effective in combatting excessive governmental intervention. They usually overlook the substantial differences between the use of volunteers as unpaid staff and peer self-help, between mutual aid, neighborhood and community-based service organizations, and among the diverse forms of citizen participation, as well as in the institutional structures of family and religion. Also, insufficient attention has been given to the great variation in the effectiveness of voluntary organizations as service providers and that their strengths are at the same time the source of their limitations: e.g., "fragmentation" and "duplication" are the inevitable costs of particularism and pluralism. Although data concerning their service delivery capability is sparse, experience with various forms of decentralized neighborhood organizations and self-help associations suggests that they, too, can become just as institutionalized, rigid, inaccessible, unresponsive and undemocratic as professionalized service bureaucracies. Furthermore, there is evidence that the substitution of voluntary for governmental agencies can result in even greater uneveness, inconsistency and inequity in the distribution of social services.[33]

Despite its conceptual and empirical deficiencies, the ideology of empowerment will probably continue to fuel the policy debate on who should provide what public service to whom. Yet, because of the external control of their basic resources,[34] the future of voluntary social welfare organizations will be most affected by environmental factors such as the state of the economy, federal tax and spending policies, and the relative power of interest groups seeking to strengthen or weaken the social services at all three levels of government. At the same time, the leadership of voluntary agencies will have to respond to the opportunities and constraints in their external environment while trying to manage their multiple resource dependencies and avoid the goal deflection inherent in the strategies of vendorism and entrepreneurialism.

A Research Agenda

How can research help voluntary agencies cope more effectively with these dilemmas? Research has at least a sensitizing function in clarifying concepts such as role, empowerment, autonomy and accountability and in directing attention to critical variables such as income mix, program diversity, size, complexity, service technology, type of executive leadership etc., although we know little about which variables are associated with what outcomes, or the consequences of certain choices.

In summary, a research agenda which would generate useful knowledge for both social policy and agency management in the future should include the following:

1. Classifications and taxonomies of voluntary social service organizations and of their service programs.

2. Determination of the size and scope of the voluntary nonprofit social service sector in different fields of service.

3. The development of valid and reliable indicators for service delivery goals such as access, accountability, adequacy, continuity, choice, coherence, effectiveness, efficiency, and equity. Comparative case studies in different fields of service could also be conducted in which auspice would be one of the variables studied.

4. Case studies of different modes of funding between governmental and voluntary agencies such as purchase of service agreements, grants, subsidies, vouchers, and their impact on interorganizational relationships, on advocacy and on clientele.

5. Studies of the costs and benefits of utilizing volunteers in direct services in agencies that employ professional staff.

6. Studies of the governance patterns in different types of voluntary agencies with emphasis on the decision making processes and the distribution of power between board, executive and staff.

7. Studies of the influence of the type of problem condition, population at-risk, and technology on the structure and function of voluntary agencies.

8. Longitudinal studies, using a life cycle model, of the origin, growth and change--and possible decline--of voluntary agencies to learn how different types of agencies adapt to changing circumstances in their environment and to answer the question why some organizations succeed better than others.

Notes

[1] As organizations they are essentially bureaucratic in structure, governed by an elected, volunteer board of directors, and utilize professional and/or volunteer staff to provide a continuing social service to a clientele in the community. The voluntary agencies which are the subject of this paper are those responsible for the delivery of the personal social services which refer to the care provided to deprived, neglected or handicapped children and youth, the needy elderly, the mentally ill--in short, all disadvantaged persons with substantial psycho-social problems. Included are such services as day care and foster care, institutional facilities, information and referral, counseling, sheltered workshops, homemakers, and vocational training, rehabilitation, etc. Typical provider agencies are Family Service Agencies, community or neighborhood centers, Planned Parenthood federations, Associations for the Retarded, Centers for Independent Living, halfway houses, Visiting Nurse Associations, Catholic Charities, and others usually included in the United Way.

[2] Filer, 1975.

[3] Hodgkinson and Weitzman, 1984, pp. 61-62.

[4] Smith, 1976; Kamerman, 1983; Morris, 1982, pp. 333-5; Judge and Knapp, 1985, pp. 132-133.

[5] Born, 1983.

[6] Kramer, 1985a.

[7] United Way, 1981, pp. 65-74.

[8] Salamon, 1984, pp. 276-83. The concepts of "nonprofit federalism" and "third party government" are developed in Salamon, 1981.

[9] Demone and Gibelman, 1984 and Rosenbaum, 1981.

[10] Kramer and Terrell, 1984. See also Wedel, Katz and Weick, 1979, and Demone and Gibelman, 1986.

[11] Kramer, 1981, pp. 160-164. Contrary views regarding the impact of governmental funds are found in Berg and Wright, 1980 and Lipsky, 1984, pp. 19-20.

[12] Urban Institute, 1983, p. 5.

[13] Graycar, 1982; Judge, 1981; Wolfenden, 1978, p. 18.

[14] Kramer, 1986.

[15] Hartogs and Weber, 1978, pp. 8-9.

[16] Kramer and Grossman, 1986. See also Demone and Gibelman, 1986.

[17] Grantsmanship, 1984, pp. 12-36; Skloot, 1983; Young, 1985.

[18] March and Simon, 1958, p. 5.

[19] Among the few studies is Glisson and Martin, 1980. On the role of variables other than auspice in making inter-sectoral cost-comparisons, see Knapp & Missiakovlis, 1982, and Judge and Knapp, 1985.

[20] Hasenfeld, 1983, pp. 7-11. Also see Austin, 1981.

[21] Langton, 1981.

[22] Filer, 1975, p. 44.

[23] Urban Institute, 1983, pp. 3-4.

[24] Wilson, 1966, pp. 209-10.

[25] Gronbjerg, 1982.

[26] Reichert, 1977.

[27] Kramer, 1985b. See also Unterman and Davis, 1982.

[28] Weisbrod, 1977 and Hansmann, 1980.

[29] James and Rose-Ackerman, 1986 and Douglas, J., 1983.

[30] Ostrander, 1984; Gilbert, 1983, pp. 10-20.

[31] Sosin, 1982.

[32] Berger and Neuhaus, 1974; Hadley and Hatch, 1981.

[33] Gilbert and Specht, 1974, pp. 174-5; O'Brien, 1975, Furness, 1974, Kahn, 1974, pp. 52-56.

[34] Pfeffer and Salancik, 1978.

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PRIVATIZATION AS A SOCIAL ISSUE

By Forrest P. Chisman

Ideology and Efficiency

"Privatization" is one of those political and journalistic buzz-words that means everything or nothing depending on how it is defined. In recent years it has primarily served as a stalking-horse for an ideological position: the view of most conservatives that it is more appropriate for a great many presently governmental functions to be performed by non-governmental institutions of some sort.[1]

As a statement of ideological preference, this contention is obviously not conducive to empirical research. Alternatively, almost any research that bears on how well government or any other institution solves social problems, or what would happen if we adopted different arrangements, might be cited for argument's sake in joining the ideological debate. Add to that most of what has ever been written in the fields of political philosophy and ethics, and the relevant bibliography for privatization adds up to practically the sum total of social and political thought. I shall not cite it here.

Conservatives often attempt to buttress their ideological stance with the contention that many government functions can more efficiently be performed by non-governmental entities. Here we might seem to be on sounder footing for research, and there have certainly been a large number of studies on this question of efficiency. Oceans of ink have been spilled over the relative merits of public and private pensions, hospitals, education, human services and every other conceivable public or private function.[2]

I have actually scanned many of these oceans, with a telescope if not a microscope, and I have come away from that survey disappointed. Because the fact of the matter is that almost all of the studies are, in one way or another, inconclusive.[3] The ideologically committed critic can almost always find grounds for saying, "Yes, but if only the public/private setup had been structured in a different way, things would have come out differently." And, of course, he will be right, because if efficiency is the criterion, it is not beyond the wit of man to construct a bureaucracy that will efficiently do almost anything well in almost any environment. The imagination and prejudices of the critic, rather than the facts, generally prevail in efficiency debates on this subject.

In addition, research on efficiency generally has a built-in anti-government bias. In part, this reflects the bias of our society and of the label "privatization," itself. In the United States we ask whether the private sector could produce better retirement protection than the public sector can, but not whether the public sector could produce better steel or autos than the private sector does.

In part, too, government programs tend to come out on the losing side because they are public and open -- everyone can see their failures and foibles, whereas private business and many voluntary associations conduct more of their work behind closed doors. We do not know that they have feet of clay until they collapse.

These anti-government biases too often result in so-called "efficiency" studies that are little more than casual hit-lists for doing away with public programs. The fabled Grace Commission report is a good case in point.[4] Of course, we could privatize the Coast Guard or anything else, but why go to the trouble? The short-term reduction in public costs are sure, but the long-range private costs are always obscure.

I realize that this adds up to something of a counsel of despair and a brief for banning "privatization" from the vocabulary of public policy discourse, rather than a contribution to a research agenda. This is partly intentional: I believe we should ban the term. It masks more than it reveals; it obfuscates rather than adding precision to debates about policy.

Discovering Privatization

But I believe that there is at least one idea underneath the "privatization" mists that does deserve serious research. It is not a new idea: it is simply the old chestnut of how we should divide up responsibility for social functions among government, business, voluntary organizations and primary groups.

Begin with the fact that in all reasonably civilized, non-totalitarian countries such responsibility is divided. The reasons for this are habit, accident, the institutional limits of all social sectors and, sometimes, the fear of absolute power for any purposes. Add to this the fact (and it is a fact) that in any society that is not static and that is reasonably open, the relative division of labor is always a subject of contention and the performance of all parties is always suspect. Add also the fact that this relationship changes over time, largely due to changes in public tastes -- or, to take a more exalted view of the situation, as a way of disciplining any particular arrangement by "shaking it up" from time to time.[5] Finally, add the fact that if the different sectors are all members of the same society, their performance of any given social function is bound to be interdependent and shared. If anyone doubts that this is a fact for the "exceptional" American case, Lester Salamon's research should resolve the question.[6]

Start from these facts and then see what business society seems to be doing badly and look at whether, in the particular case at the particular point in time, some readjustment of public and private responsibilities might have a good effect. In other words, don't go looking for privatization; let it find you.

This is essentially the approach adopted by the Project on the Federal Social Role's Columbia Seminar on Privatization, directed by Professors Alfred Kahn and Sheila Kamerman. The Seminar is one of eight large investigations, and a dozen smaller ones, on major issues in the future directions of federal social policy which the Project has developed and sponsored. There are about 40 members of the seminar drawn from academic, voluntary and business organizations in the northeastern United States and Europe. They have met once a month for almost a year.

Members of the Columbia Seminar first had to get over the hump of identifying most discussions of privatization as ideological or, for other reasons unanalyzable. The fruits of these efforts are found in two excellent papers by Paul Starr and Marc Bendick, which the Project has published.[7] They not only define the subject in political terms but also suggest ways to respond politically.

Having crossed this divide, the seminar settled down to looking at places where the shoe pinches in providing society's needs and to considering whether a shift in responsibility among sectors might be helpful. This means that they did not look closely at a number of topics. For example, they (and I, personally) subscribed to the "if it ain't broke, don't fix it" view of Social Security. The debate over privatizing that program will continue for as long as it lives, and we have plumbed some of its dimensions in our Yale Seminar on Social Security.[8] But there seem to be no really new arguments and no real reason to raise the issue other than on ideological grounds.

The Columbia Seminar certainly looked at what I would call "petty privatization:" that is, cost efficiencies to be gained from contracting out governmental housekeeping services such as procurement of supplies, cleaning buildings and collecting garbage.[9] But they did not linger there. The conclusion that they reached, as had our Committee on Federalism and National Purpose, is that any government manager with common sense would contract out as much of this tedious work as he could and that the details of how to do so are just a minor issue of public administration.[10]

Where the Columbia seminar found fertile ground was in discussing public needs that are presently not very well met: things that no sector of society apparently very much wants to do. That is where "privatization" meets the investigator as an issue, without his going in search of it.

I am talking about things such as providing health care to the poor, providing family support services, offering long-term care for the elderly and disabled, improving services to children and all of those other dreary problems that society apparently doesn't want to face up to these days. Who should do them? Who can or will do them? Although nobody is doing them very well, and somebody surely should. So we look to evidence about the relative capacities of different sectors in particular areas of social concern.

The answers that one comes up with in this sort of analysis are not easy to encapsulate in a few words, nor should they be. They involve very detailed conclusions about how to proceed, that are valuable primarily in their details. Generally they all recognize the need to enlist all sectors of society in meeting any of society's needs, but this is only restating the premise from which they begin. We will publish these studies of particular issues in balancing the sectors in several different forms this year.

I think that more research on how to enlist different sectors in meeting neglected problems is needed, and I would encourage it. There is certainly no shortage of unmet needs. Pick one and have at it from the sectoral perspective. But you will find you are not doing research on "privatization;" you are simply doing policy research on neglected issues -- always a worthy endeavor.

Neglected Issues

To make this recommendation more interesting, I would carry it a step forward. I think that there are five aspects of research on privatizing particular functions that deserve more research and to which neither our Columbia group, nor any other group I know of, has given adequate attention. These issues cut across most discussions of relations between the sectors, but I believe that, like other issues of "privatization," they can be raised most usefully with regard to meeting specific unmet needs.

First, there is the question of how to create greater accountability -- of all sectors: the public, voluntary and private. In economists' jargon, this is the difficulty of preventing inefficiency and abuse by the public or private monopolies, local or national, that often perform vital public functions. In the language of public administration, it covers issues such as constructing proper command and control relationships. In the language of political science it is the question of responsibility -- quis custodes custodes?

Whatever language we use, the issue stands in the way of constructive thinking about the use of different sectors to solve public problems. Public bureaucracies get a bad name for being slothful and unresponsive. If someone proposes shifting some of their functions to voluntary organizations, fears are raised that they will run on their own do-gooding agendas. Or if "contracting out" or "load shedding" to business is suggested, someone will raise objections about "capture" effects or "creaming" of the populations to be served.

There are many answers to these problems. They have been discussed most widely with regard to defense contracting: create competition for public or private monopoly providers, use regulatory devices, find new contracting systems, allow for more openness and public input.[11] The interesting thing about these discussions in the area of defense contracting is that they have been going on for so long with so little apparent effect. I think someone should look seriously at why this is and at whether and how any of these techniques for creating accountability are suited to social services.

I believe that this is an enormously important question, because whenever some change in the relation between the sectors is proposed -- whether to extend or improve services -- debate too often becomes deadlocked around the status quo or the prevailing ideology simply because people don't feel confident that it is possible to keep any of the sectors accountable to public goals if they are used in new ways. It is as if the integrity of all public service hung by a precarious Burkean thread -- we can live with the inadequacies of rough and ready means for keeping tabs on present arrangements that have evolved over time, but we fear to venture farther.

I believe that we cannot afford to live with this timidity in dealing with sectoral relations, and I would welcome studies of what mechanisms for enhancing accountability have, do or might work in particular cases, and why. Perhaps this research exists. If it does, I would like to know why it has had such limited effect.

The evolution of the Social Security system indicates how useful a little thought about this issue can be. Our research shows that, early on in the life of the system, business leaders insisted that retirement protection in the United States should be a "three tiered" arrangement: based on personal savings, private pensions and government social insurance.[12] Part of their case was the idea that the performance of each of these tiers -- implicitly the competition among them -- would lead to better performance by all. And I think this hope has been realized. Social insurance stimulated the growth of private pensions and, recently, the performance of individual savings alternatives has been used to criticize the performance of social insurance.[13] (I believe that it is a healthy criticism, even if it is unfounded.) In this case, a little competition has created more accountability by all sectors -- although possibly not enough.

Second, a related issue is the upgrading of management effectiveness in public and voluntary institutions -- improving their "productivity." I know that we all bristle at the mention of this question. I know that there are many sloppy businesses. I know that we march to the beat of a different drummer. But the fact of the matter is that we are often sloppy too, in part because we do enjoy monopolies of one sort or another in the services we provide. Over the course of several careers in the independent sector, I have seen no issue less well addressed and none that more invites attacks from ideological privatizers.

The issues range all the way from discipline, to organization, to wage scales. They require different answers in different institutional settings -- in private foundations, voluntary organizations, educational institutions or government bureaucracies. Public administration schools bear names that sound like they should be addressing these issues, but if they have had much impact, I have not noticed it. By and large, they teach the techniques of policy analysis. The issues of which I speak are management, not "administration" or "analysis" problems.

Entire careers could usefully be directed to looking into the improvement to public and voluntary management. There will always be criticism of the relative roles of different sectors in providing public service, and if that criticism is to be most productive, it should encourage the public and voluntary sectors, as well as the private sector, to compete more vigorously for public favor. But how can they compete? How can they do a better job? New Hoover Commissions, focused on specific areas of public and voluntary service might catalyze interest in the subject.

Third, I think that large-scale research of a non-academic type is needed on exactly what the capacities of the different sectors to meet neglected needs are, in particular cases. Let me give you an example of what I mean. Everyone these days is concerned with the potentially soaring costs of long-term care for the elderly and everyone is looking for less of an "institutional" approach.[14] But they speak as if, finances apart, they do not know where to begin in developing a non-institutional system.

It seems to me quite possible that the ingredients of such a system are already out there, in the existing capacities of public, voluntary and business organizations. Yet I defy anyone to show me that this is true.

Why not take one state, or a large city, and conduct a thorough study of what organizations are prepared to provide what types of non-institutional care services, at what level and at what price? Then add it all up in terms of possible goals for a non-institutional long-term care system and see what is missing. Possibly very little is missing other than the money, and even some of that may be there in the form of private philanthropy.

The long-term care system may be already in place ready to go, or it may need some new ingredients. In any event, by taking this approach we would avoid re-inventing the institutional wheel, and we would know what we need to do to move ahead most rapidly in this area. Then try low income housing or job training by the same approach.

A fourth area of neglect has to do with Constitutional limits to privatization. What must the public or private sectors do? We all think there are such limits, but constitutional and other scholars seem hesitant to define them. Some precise thinking, rather than political broadsides, about privatization of corrections facilities and other services entailing an element of force or compulsion would be welcome. More difficult problems are raised by issues of information privacy, grants of proprietary rights to government resources, and personal freedom in areas such as family law and rights to personal privacy.

Fifth, there is the much-belabored question of whether nonprofit institutions behave differently, in any number of respects, than business do. While, as I have indicated, I believe that this is largely a sterile issue, it does have an interesting new twist: the increasing development of for-profit arms and activities by nonprofit agencies.[15] I think we need to know a great deal more about what effect, if any, this has on their performance.

I also think we need to face with more candor the whole issue of tax exemption. My personal belief is that the distinction between organizations that seek a profit and those that do not has outlived its usefulness for tax purposes, and that some other criterion for exemptions is needed. I gather, however, that this is the subject of other panels, so I will not expand on it further.

Conclusion

In short, I think that there are issues raised by the "privatization" debate that are worthy of research, but they are not the issues which that debate immediately seems to raise. In fact, they are old, neglected issues. If talk about "privatization" has any value at all, it is to bring some greater attention to things we should be studying anyway.

Notes

[1] For the conservative case for privatization, see Savas, 1982; Berger and Neuhaus, 1977; Butler, 1983.

[2] See Framlich and Koshel, 1975; Ahlbrandt, 1974; Patterson and Katz, 1983; Relman, 1980.

[3] For a critical review of what this literature does and does not show, see Hatry, 1983.

[4] See Grace, 1984

[5] For the most interesting view on this shift, see Hirschman, 1982.

[6] See Salamon and Abramson, 1982.

[7] See Starr, 1985; Bendick, 1985.

[8] See Tobin, 1985; Starr, 1985; Marmor, 1985.

[9] Examples of such studies are Berenyi, 1981; Savas, 1979.

[10] Committee on Federalism and National Purpose, 1985.

[11] Atkinson and Hiatt, 1985; Senate Armed Services Staff Study, 1985.

[12] See Ball and Cohen in National Conference on Social Welfare, 1985.

[13] See Stevens, 1985.

[14] See Day, 1985; National Study Group on State Medicaid Strategies, 1983; Davies, 1984.

[15] See Meyers, 1985; Vobejda, 1985; Cohn, 1985.

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WORKING DRAFT

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MEASURING COMMUNITY PROBLEM-SOLVING AND PUBLIC/PRIVATE PARTNERSHIPS

by
Janet A. Obeid

Prepared for
Current Public Policy and Voluntary
Organizations Panel
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Guidance in the design of the survey and related products is being provided by the United Way of America's Professional Advisory Committee on Community Problem-Solving and Fund Distribution, a 55-member committee of senior managers from local United Ways. James Morrison, Executive Director, Metropolitan Council for Community Services, Inc., Chattanooga, Tennessee, chairs the professional task force which has led this process. Key staff direction and support are being provided by Thomas M. Nunan, Senior Vice President and Christopher Thomas, Consultant, United Way of America, Community Problem-Solving and Fund Distribution Division.

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OVERVIEW AND PURPOSES

This paper begins with a brief overview of major national data bases relating to community problem solving and public/private partnerships. Major discussion then focuses on a new data base created by United Way of America to track, analyze and project local, state, and national community problem solving issues, processes, resources, and partnerships in the health and human care arenas. Results from an October 1985 national United Way survey form the core of this new data base. The roles of public and private groups in local communities are described and analyzed. Ways to use this data base in national, state, county and local problem solving efforts are explored.

Comments and suggestions are invited concerning the data base and its applications.(1)

Research About the Measurement of Community Problem Solving and Public/Private Partnerships

In this paper, community problem solving is defined as "those activities in which organizations and individuals can engage for the purpose of bringing attention to, and action upon, a given community problem or opportunity." (2) The focus is on concerns of broad community interest; activities involve public, private and voluntary groups working together.

Interest and involvement in community problem solving through public/private partnerships has been strongly promoted at the federal level by the current administration as a means of encouraging local responsibility for and solutions to local issues. It is also promoted as a means of bringing total community resources -- including influence, systems redesign, dollars -- to bear on given problems. For United Ways today, this is of particular importance due to the shifting and diminishing financial roles of government in the health and human care arenas.

To function as effective partners in community problem solving, the public and private sectors need skills, resources, and strategies. Communities want to "link-up" with others who are dealing with similar issues. Likewise, policymakers and funders want to know and track the types of problems which are confronting communities.

In response to these needs, several centralized information clearinghouses have been established nationally.(3) Most of these function like libraries, storing and/or generating hard copy reports about local problem solving activities for subscribers, members or customers, on a fee basis. Some are accessed primarily as computerized databases: Civitex (several thousand projects/papers organized by geography and topic; bibliography-like print-outs) and Partnerships Datanet (4,000+ cases listed by project type; bibliography-like print-out with personal consultation) are two prime examples. Other centralized resources are primarily hard-copy, bibliographic-type services, again for subscribers, members, or customers at a fee. Key groups include: Project Share - DHHS (11,000+ human service projects in publications in abstract form; special searches possible); HUD User (6,000+ catalogued documents on housing, urban, and community development), Community Information Exchange (100+ selected cases of model neighborhood/urban projects; also, listings of technical experts and funding resources); United Way of America's Information Center (several thousand local United Way project publications, by topics, authors, local; abstracts on microfiche).

Several computer network businesses sell access to bibliographies and abstracts on specific topics, which may or may not deal with community problem solving or public/private partnerships -- Dialog, ERIC, BRS, Compuserve (which incorporates 1,000 other databases).

Because of the way their data are entered -- as abstracts narrative descriptions, bibliographies, or entire reports -- most of these central resources are of greatest use in understanding specific local examples and identifying communities or players which have been involved in particular problems.

However, it is usually not possible to draw specific conclusions about all the collected projects/cases in these data banks (for example: how many of this data bank's cases involved county government? What was their average cost?). Because specific elements of catalogued cases or projects have not been "tagged" for comparative analysis, it is not possible to draw "objective" public policy conclusions about the cases as a group. In other words, because of the narrative orientation of these data banks, considerable qualitative information can be gained about individual projects, but very little quantitative data about all cases in the data bank can be gained to examine broader, policy-oriented considerations such as key partners involved, financial resources used, obstacles encountered, time committed. Valuable information is therefore untapped simply due to the way information is gathered, catalogued, and given out by the data banks!

Possible solutions? Quantification of key data from descriptions or publications being submitted to data banks, and/or more databases which are survey - rather than publication - driven.(4) Specifically, surveys of particular key groups around public/private partnerships and community problem solving activities provide important data bases of considerable value to those doing these activities as well as to policymakers and funders. The survey-driven data base described in the remainder of this report provides one such example.

UNITED WAY OF AMERICA
SURVEY OF LOCAL COMMUNITY PROBLEM SOLVING ACTIVITIES

Background

In December 1984, a task force of the United Way of America's Professional Advisory Committee on Community Problem-Solving and Fund Distribution first began planning a national survey of local and state United Ways and their affiliated Planning Councils.

A national, systematic cataloging of local United Way community problem solving activities, much less an analysis of the players, process, and resources involved, had never before been undertaken by United Way of America.

The broad purposes of this unique survey would be to: 1) determine the key health and human care problems confronting local communities -- past, present, and future; 2) identify and analyze major players, resources and approaches those communities involved community problem solving efforts, 3) examine, in some depth, community problem solving "case studies" submitted by responding communities.

Data collected would be made available to local United Ways and other interested public and private organizations interested in furthering their understanding of and problem solving activities in the health and human care arenas. United Way would serve as an analyzer and chronicler of creative community problem solving approaches. The survey's results would form the basis of an ongoing computerized national data base on community problem solving and public/private partnerships. Rapid access to this data base would enable communities with similiar concerns to quickly link together. National and state organizations could be helped to get a better understanding of concerns affecting communities as well as specific constituencies. Survey data could be aggregated and analyzed at the national, regional, state, and "metro" levels.(5) It could also be provided, in detail, on individual communities. Involvement of specific sectors, in particular issues could be identified, including their financial committments made.

Periodic updates of the data base would enable the tracking of trends in issues, resource requirements, and partners. Those groups supportive of local community problem solving partnerships -- such as government, corporations, universities -- would gain a clearer picture of obstacles typically encountered as well as skills needed in community problem solving.

Topics covered

The survey was divided into three parts: perceptions of local community problems, current United Way/Council involement in community problem solving, and United Way/Planning Council community problem dolving examples (one case study per respondent). Topics covered in each area follow:

COMMUNITY PROBLEMS: past, present, future health and human care problems confronting United Ways/Councils/Communities as evaluated by the United Way/Planning Council's chief professional officer.

ORGANIZATIONAL INVOLVEMENT: board policies on problem solving, special funds, staff resources, experience with problem solving, agenda-setting, relationship to campaign, needed staff skills, key conveners, in addition to United Way.

CASE EXAMPLES: characteristics of the problem addressed, narrative description, reason for involvement, time committed, United Way roles, major groups involved, major direct funders (and amounts), importance of funding in initiating the project, evaluation, key obstacles experienced, staff and volunteer resources, community awareness, availability of written reports.

Survey Methodology

To ensure maximum comparability of all survey responses as well as ease in aggregating and analyzing them for planning and policy-setting purposes, nearly all of the survey's responses were closed-ended; coding lists were provided for many questions. Because of this decision, as well as a desire to create consistent language with other United Way issue and problem taxonomies, extensive time was devoted to testing the response categories and their specific items. As a result, problems and their treatments were "segmented" -- "problems", "target population", "geographic focus", "nature of problem", "purpose of CPS activity", "CPS roles played by United Way or Council".

Ultimately, an eight page survey, containing 93 closed-ended and 1 open-ended questions (not including identification information) was mailed in October 1985 to local United Ways, affiliated Planning Councils, and state United Way organizations, along with a personalized cover letter and three page coding sheet. A four-week response time was provided -- ultimately, this was extended to January 1986.

A modified Abtab computer program was designed to store and compute data. Survey data were entered by United Way of America staff, using a standard IBM PC-XT. The program would enable data to be cross tabulated extensively. Data displays would be in matrix as well as bar graph formats. Names and phone numbers of staff responsible for cases could be provided as well as narrative descriptions of problem solving activities.

Survey Findings

28% of the 990 total surveys mailed were returned, including 30% of the communities surveyed.(6) Responses were obtained from virtually every major metropolitan community in the United States. This was considered an excellent showing, in light of the survey's acknowledged length and complexity, combined with the fact that the survey's mailing had to be scheduled during the height of the local United Ways' annual campaign. Examples of data now available from this new resource follow.

Community Problems

Chief Professional Officers (executive directors) of United Ways and their affiliated Planning Councils were asked to identify from their personal perspective, the top three community problems their organizations had faced, now face, and will face in the coming years. They were asked to relate their organizations' future problems to those of their community-at-large (which might be much broader or outside United Way's normal scope). Thirty specific problem foci were given on the coding list, "Not applicable," "no answer," and "other" responses were also options.

Table 1: Responding Chief Professional Officers
Perceptions of Community Problem Focus (% of Respondents; N=285)*

Past UW Problem (1-3 Years) (7)	Present UW Problem (8)	Future UW. Problem (1-3 Year) (9)	Future Comm. Problem (2-5 Years)
Shelter - short term emrg. (26.4)	Other (28.0)	Indiv. Fam. Adj. (23.6)	Unemployment (41.1)
Abuse or Neglect (26.1)	Shelter - short term emrg. (25.8)	Other (21.8)	Housing (27.4)
Hunger or Nutrition (23.6)	Abuse or Neglect (23.3)	Day Care (21.1)	Abuse or Neglect (20.4)
Day Care (22.1)	Unemployment (21.9)	Abuse or Neglect (20.7)	
Unemployment (22.1)	Day Care (20.8)		

* Problems include those rated as among top three by at least 20% of respondents.

These findings point to the perceived persistence of certain problems, such as "abuse or neglect" and "day care", the hoped-for disappearance of other problems, such as "hunger and nutrition," and the emergence of new problems, such as "individual family adjustment." They also alert the United Way to the need to appreciate its agenda in relatioship to the overall community's.

These data can be sorted by United Way region, state, or metro size to assess differences.

Table 2: Comparison of Future United Way Problem Focus for Specific Groups (% of respondents)*

Future UW Metro I (N=47)	Future UW Northeast (N=78)	Future UW Total (N=285)
Shelter	Housing	Indiv. Fam. Adj.
Day Care	Abuse or neglect	Other
Abuse & Neglect	Individual Family Adjustment	Day Care
Unemployment		Abuse or Neglect

*Problems include those rated as among the top three by at least 20% of respondents.

Of particular concern to many communities nationwide were the needs of specific target groups in and of themselves, or -- in most cases -- in conjunction with the specific community problems outlined above. Again, CPO perceptions are provided. (Note: in most instances, responses were linked to community problems.)

Table 3: Responding Chief Professional Officer's Perceptions of Community Target Population Focus (% of Respondents; N= 285)

Past UW Target Group (1-3 Yrs.) (11)	Present UW Target Group (12)	Future UW Target Group (1-3 Years)(13)	Future Community Problems (2-5 Years
Population-at-large (41.1)	Poor, marginal income (41.6)	Poor, marginal income (45.0)	Population-at-large (57.5)
Poor marginal income (38.9)	Population-at-large (41.6)	Population-at-large (43.6)	Poor, Marginal income (53.3)
Children (30.4)	Children (21.9)	Aging (28.2)	Aging (28.1)
	Aging (21.9)	Children (27.5)	Children (27.4)
	Adolescents (20.1)	Families (25.0)	Adolescents (26.0)
		Adolescents (21.1)	Families (20.4)

*Target populations include these rated as among top three by at least 20% of respondents.

As you can see in Table 3, attention to both the "poor, marginal income" and "population-at-large is expected to persist over time and increase relative to other targets, while "children" stay essentially steady. "Adolescents emerge and are perceived to increase in relative importance, as do the "aging". "Families" emerge only in the future as a focus.

Similar tables can be created for geographic focus, nature of the problem, purpose of the problem solving activity (crisis intervention, ongoing problem management, long term solution), and United Way roles -- actual or anticipated -- to be played in the process by the respondents organization.

Tables also can be prepared showing issues which involve specific non-United Way community participants in the local planning process, such as county or city government, religious organizations, and labor. (See Table 6.)

ROLES IN COMMUNITY PROBLEM SOLVING

The data below indicate that CPOs believe their organizations' community problem solving roles will increase relatively in these areas: "bringing people together", "promoting service development" and "enhancing awareness". Of relatively diminishing importance are "fund distribution" and "fund raising" roles. Emerging is an increased role in "influencing legislation" (not defined as lobbying).

Table 4: Responding Chief Professional Officer's Perceptions of Organization's Roles in Addressing Key Community Problems (% Respondents; N=285)*

Past UW Problems (14)	Present UW Problems (15)	Future UW Problems (16)	Future Community Problems (17)
Fund Distribution (50.2)	Bring people together (48.2)	Bring people together (49.6)	Bring people together (58.2)
Bring people together (35.7)	Promote Service Dvlpmt (35.9)	Promote service dvlpmt (40.6)	Enhance Awareness (49.3)
Promote Service Development (33.2)	Fund Distribution (33.3)	Enhance Awareness (30.9)	Promote Service Dvlpmt (42.7)
Fund Raising (32.9)	Enhance Awareness (31.5)	Fund Raising (27.0)	Influence Legislation (36.0)
Enhance Awareness (25.6)	Fund Raising (25.4)	Fund Distribution (25.9)	Fund Distribution (28.4)
		Influencing Legislation (24.5)	Fund Raising (24.9)

*Includes problems indicated by 20% or more of respondents. Up to three roles could be identified by respondents.

Case Studies

Respondents were asked to provide one example of their local community problem solving activity and, with it, detailed information about how it was conducted, resources used, and key participants. Highlights from 236 respondents who provided an example follow:

Major groups involved in cases are shown below. Specific funding data are also provided. As can be seen, the key funders are not always the major groups involved.

Table 5: Groups Involved in Submitted Case Studies;
Maximum Spent on A Single Case by These Groups (N=190)*

Groups Involved In Case Studies	% of Total Cases Participated In	Maximum Spent by Group On A Single Case
United Way	(85.2)	$1,089,213
Foundations	(28.8)	1,415,000
State Government	(49.4)	1,300,000
Corporations	(34.2)	2,000,000
Federal Government	(19.8)	4,000,000
City Government	(49.4)	2,000,000
County Government	(53.1)	9,100,000
Religious Organizations	(42.8)	150,000
Private Individuals	(33.3)	200,000
Other Voluntary Organiz.	(67.9)	182.000
Other	(21.0)	2,075,000
Planning Councils	(18.1)	75,000
Labor Organizations	(17.7)	250,000
Colleges	(21.0)	1,000,000
Regional Planning Organiz.	(8.2)	8,000
Health Systems Agencies	(11.9)	3,500

The specific problem areas around which public and private groups joined forces with United Way can also be identified. For example, county governments were involved in 126 problem solving cases. 23.0% of these related to short-term emergency shelter, 14.3% to abuse or neglect.

TIME AND HUMAN RESOURCES

Time and human resources committed by respondents to these cases are impressive. On average, cases required 19.16 months, with Metro I's averaging 24.20 months and Metro VIII's, 9.07 months. The 257 respondents to this question jointly spent 4,906 months on their cases.

Slightly less than one FTE professional staff person (.98) was assigned to these cases, on average, with Metro I's dedicating 1.47 and Metro VIII's 1.00. An average of 23.38 volunteers participated in the cases submitted the responding organizations. Metro I's averaged 32.86, while Metro VIII's average 7.50.

Specific skills were suggested by CPO's for staff involved in community problem solving.

Table 6: Chief Professional Officer Perceptions of Staff Skills or Attributes Most Needed for Community Problem Solving (% Respondents; N=289)*

Metro I (N=49)	Metro III (N=48)	Metro VIII (N=16)	All Metros (N=289)
Organizing (83.7)	Organizing (85.4)	Organizing (37.5)	Organizing (72.0)
Survey & Research (63.3)	Survey & Research (52.1)	Survey & Research (37.5)	Survey & Research (50.9)
Policy Analysis (36.7)	People Skills (33.3)	Fund Raising (37.5)	People Skills (30.1)
People Skills (28.6)	Negotiation (31.3)	Marketing (31.3)	Marketing (27.0)
Conceptualizing (26.5)	Conceptualizing (29.2)	Policy Analysis (25.0)	Policy Analysis (26.3)
Govt. Relations (22.4)	Policy Analysis (25.0)	Communications (25.0)	Conceptualizing (24.2)
Negotiation (20.4)	Marketing (22.9)		Negotiation (21.8)
Marketing (20.4)	Govt. Relations (20.8)		

*Includes skills indicated by 20% or more of respondents. Up to three responses allowed.

These findings indicate that the broad terms "organizing" and "survey and research" are highly valued by most respondents, regardless of community size. A greater focus on the more intangible skills such as "policy analysis", "people skills", "conceptualizing", "negotiation", and "marketing" increases with metro size, as does the number of skills.

OBSTACLES

Major obstacles in the community problem solving process identified by respondents were "turf issues" (45.8%), "lack of funding" (42.4)%), "lack of models" (21.9%), "lack of staffing" (19.5%), "process management problems" (16.1%), "no buy-in by key people" (14.0%). Only 11.4% indicated they experienced "no obstacles". Reflecting on staff skills needed, it can be seen that the need for "organizing" and other people-oriented skills is further supported.

THE FUTURE

Final programming and data access plans are now underway for this database. It will be updated periodically and linked to the United Way of America's National Human Care Computer Network, for use by United Ways and other interested groups.

Further analysis of the database will be pursued, especially to identify common agendas between various local, state, and national organizations and issue/target population constituencies. Likewise, opportunities for maximizing human and financial resources will be explored. Continued focus on analyzing the local experience through segmentation of problems and the extensive use of closed-ended questions will enable ongoing tracking and analysis of specific areas and issues of interest.

A key concern will be enhancement of the software's capacity to handle the complex cross tabulations which can enable inquirers to quickly get useable print-outs about individual responding communities as well as information on the problem solving process itself. Tantalizing research opportunities are offered by this database to the public and private sector regarding community problems, their players, resources and processes.

Notes

1. The survey and database discussed in this paper reflect the creative thinking and practical skills of dedicated United Way professionals throughout the country. The paper itself was developed in a very short period of time to accommodate final entries to the data base and their analysis. Sincere appreciation goes to Thomas M. Nunan, Senior Vice President, United Way of America who has made this project a priority over the past year and provided the vision and direction important to its ongoing refinement. Special thanks go to Christopher Thomas, Consultant, United Way of America, for his tireless work in the computerization of the survey findings. Donald Rickert, Director of the United Way of America's Computing Center, is due kudos as well for his programming assistance. Brenda Bass, Senior Secretary, receives sincere thanks for putting this altogether patiently and in record time.

2. United Way of America. "Revitalizing Community Problem Solving Within the United Way System: A Task Force Report," (Alexandria, Virginia: United Way of America, 1984), p. 2.

3. The information which follows in this section is based on brief interviews conducted with selected organizations. It is intended to be illustrated rather than exhaustive in scope. Additional interviewing is planned prior to finalizing this report.

4. As of this writing, United Way of America has become aware of a survey-driven data base developed by the National Association of Counties.

5. "Metro" refers to a designation given to each United Way based on its annual campaign total. Over 89% of dollars raised nationally are from Metros I to IV. Metro I = $9 million and above; II = $4 million to $8,999,999; III = $2 million to $3,999,999; IV = $1 million to $1,999,999; V = $750,000 to $999,999; VI = $500,000 to $749,999; VII = $200,000 to $499,999; VIII = $100,000 to $199,999; IX = $50,000 to $99,999; X = $25,000 to $49,999; XI = less than $25,000.

6. Some communities received more than one survey because both a United Way and Planning Council were present, or a local United Way and State United Way. In some instances, joint returns were submitted by these communities.

7. Table 1: 20.6% replied "no answer," reflecting that no all respondents chose to give three responses.

8. Table 1: 29.7% replied "no answer," reflecting that not all respondents chose to give three responses.

9. Table 1: 31.8% replied "no answer", reflecting that not all respondents chose to give three responses.

10. Table 2: Northeast Region includes Maine, New Hampshire, Vermont, New York, New Jersey, Pennsylvania, Massachusetts, Rhode Island, Connecticut, Maryland, Delaware, and West Virginia.

11. Table 3: 39.3% responded "no answer," probably indicating their primary focus was on a problem area rather than a specific target population.

12. Table 3. 37.6% responded "no answer," probably indicating their primary focus was on a problem area rather than a specific target population.

13. Table 3: 41.4% responded "no answer," probably indicating their primary focus was on a problem area rather than a specific target population.

14. Table 4: 69.7% responded "no answer," probably indicating they did not see themselves playing up to three roles in all cases.

15. Table 4: 64:9% responded "no answer," probably indicating they did not see themselves playing up to three roles in all cases.

16. Table 4: 65.8% responded "no answer," probably indicating they did not see themselves playing up to three roles in all cases.

17. Table 4: 20.4% responded "no answer," probably indicating they did not play three roles in all cases.

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SECTION TWELVE - PUBLIC POLICY AMONG THE SUBSECTORS

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PHILANTHROPY, NONPROFITS, AND HEALTH POLICY

by
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Constance W. Mahoney

Prepared for
Public Policy Among the
Subsectors Panel
March 14, 1986

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Frank Karel of the Robert Wood Johnson Foundation has recently observed that foundations need information about public policy because "it helps form a rational framework for reviewing applicants' proposals, for monitoring grantees' progress and for evaluating grant-supported projects and programs" (Karel, 1985, p. 58). Noting that a growing number of foundations are now funding projects for the specific purpose of informing the policy process and improving policy decision making, his views reinforce those of James Joseph's at the Council on Foundation's 1985 President's Platform, "that an active role for philanthropy in the public policy process is not only permissible but vital" (Joseph, 1985). This paper looks at the historical context, issues facing the health care system, the health spending of foundations, research on the nonprofit sector and health, and emerging research questions.

Historical Context: Foundations and the American Health Care System

Long before the federal government became a sponsor for various programs related to medicine and medical care, foundations were a major force. Medical education, the point of departure for everything else in medicine, owes its excellence to Flexner's Rockefeller Foundation study and subsequent foundation support, which marked a turning point in the future of American medical education. The field of public health provides another example. Knowledge about the prevention and treatment of diseases in research laboratories had no way to be extended beyond the laboratory into the community. The shortage of trained professionals was remedied as a result of the Rockefeller Foundation grant to Johns Hopkins University to establish a School of Hygiene and Public Health. This was to have a revolutionary effect in grounding public health education in science, which was imitated by schools of hygiene and public health across the nation.

Foundations pioneered in the support of modern experiments in medical research and medical care, resulting in successes in eradicating hookworm and the development of insulin as well as the development of the fields of molecular biology and psychiatry. Foundation funding helped launch the two largest experiments in improved medical care, the Health Insurance Plan of Greater New York and the Kaiser Health Plan, as well as key developments in group practice, and experiments in uniting medical education with medical care (the latter resulting from a unique combination of the Mayo Foundation and the Mayo Clinic).

Foundation activity in the hospital field, although smaller than government's, has provided assistance for rural hospitals and for other special purposes. Foundation-supported international health efforts, including attention to world population issues and agricultural research to increase the world food supply, have been vastly expanded by the Agency for International Development (AID), the World Health Organization, and the Pan-American Health Organization (Peterson, 1970).

U.S. health policy and health care have been characterized by a combined public-private partnership since the early days of the Republic, when state and local government subsidized private charitable agencies and hospitals. The federal role in hospitals was limited to the Public Health Service and the Army and Navy (with the exception of World War I), until the Great Depression and the New Deal -- a period which was to witness the founding of the National Institutes of Health (NIH) in 1930, the National Cancer Act in 1937, the Communicable Disease Center (CDC), the Food, Drug and Cosmetic Act in 1938, and the stimulation of the revolutions in biomedical and epidemiological research that dramatically affected health policy, health care and the health status of the American people (Lee, 1984).

By 1932, a foundation-funded study by the Committee on the Costs of Medical Care acknowledged serious problems of affordable access to care and its organization and financing, recommending group practice and group payment through insurance and/or taxation. However, it took the Social Security Act of 1935 to mark the turning point in national health policy, providing the instrument through which federal responsibility for the nation's health was to be validated under the "general welfare" clause of the Constitution (Lewis and Sheps, 1983). The first two major health programs of the Social Security Act were state grants for maternal and child health (Title V) and for public health services (Title VI).

In the period after World War II and until the 1960's, federal support for biomedical research (which had by then long surpassed industry and private foundation support) and for hospital planning and construction were the two areas of health policy in which the federal government was active. Federal and state subsidies were provided for community, nonprofit, voluntary hospitals, nursing homes, public health clinics and rehabilitation centers. Public hospitals, supported largely by local tax funds to provide care to the poor, received little or no federal support until the needs of private institutions were met. Private, voluntary health insurance also developed then, followed by the expansion of commercial insurance in the 1950's.

Three characteristics of health policy between the Great Depression and World War II were: 1) the continuing reluctance to establish publicly financed health services or insurance; 2) the limited federal role in relation to the states in public health; and 3) the importance of special interests, particularly physicians, hospitals, and the drug and private insurance industries (Lee, 1984).

During the Johnson Presidency in the 1960's, "creative federalism" extended the federal-state relationship in health to include direct federal support for local governments, nonprofit businesses and private corporations. Among the many new health programs initiated in the mid-1960's (including Medicare, Medicaid, health planning, and services for the mentally retarded), only Medicare was directly administered by the federal government. Although there was little fundamental change in health policies during the 1970's, there were a number of incremental changes and a distinct tilt toward the private sector under Presidents Nixon and Ford (1969-1977).

The rapid rise in publicly financed health expenditures through Medicare and Medicaid (rising two to three times faster than general inflation) prompted: (a) President Nixon to keep wage and price controls on health long after it was taken off the economy as a whole; (b) President Carter to seriously attempt (unsuccessfully) the imposition of voluntary hospital cost containment; (c) New York State to regulate prices paid for hospital care, and (d) the federal government to open the way for major regulatory (e.g., prospective payment) and deregulatory actions in the 1980's aimed at medical cost containment (as well as cost-shifting and cost-sharing, where costs could not be contained). The private sector -- individuals either paying directly out-of-pocket or through private health insurance -- continues to finance well over half of all health care costs. Employers pay more than 80% of all private health insurance premiums.

During the Reagan Administration, dramatic changes have occurred with the domestic spending cuts and new state discretion for reimbursement, eligibility and benefits under Medicaid, that were contained in the 1981 Omnibus Budget Reconciliation Act and the policy changes in the 1982 Tax Equity and Fiscal Reponsibility Act calling for prospective payment for Medicare. Additional significant changes of unknown proportions are likely to occur as a result of the 1985 Gramm-Rudman Balanced Budget and Emergency Control Act to reduce the federal deficit. Because the federal government has been the most generous "philanthropist" in funding the work of nonprofit organizations, major changes in government funding could pose a serious threat to the viability of particular elements of the nonprofit sector.

Health policies and programs in the public and private sector partnership have evolved piecemeal, with recent emphasis focused on medical cost containment. Access to health care was valued as a "merit good" (an earned right) from 1965 to the mid-1970's. More recently, health care has come to be treated as a "market good" (available for purchase in a competitive market).

Public policies and programs related to health in the U.S. have generally followed the pattern of other industrialized countries, particularly those in Western Europe, in three stages: (1) first, the phase of private dominance, including individual contracts between patients and physicians, hospitals and other providers, particularly for private charity hospital care; (2) second, public provision of necessary health care services not clearly being provided by voluntary effort and private contract and an emerging role for state and local government in public health; and (3) third, the substitution of public financing or public provision of health services for private and voluntary efforts and an established role for all levels of government in public health (Lee, 1984).

The combination of budget cuts, the devolution of responsibility to states and localities under New Federalism, deregulation, and the cost-containment policies of the 1980's have encouraged corporate moves into all aspects of the medical delivery system. Stimulation of the "New Medical-Industrial Complex" (Relman, 1980) commenced with the proliferation of investor-owned nursing homes in the 1960's, expansion into the hospital sector in the 1970's with the aquisition of community-owned, voluntary hospitals via horizontal integration and the development of multi-hospital, investor-owned chains. Since 1970, the for-profit hospital business has grown more rapidly than the computer industry. As of 1980, three companies controlled three-fourths of all for-profit hospital beds (Starr, 1982). In 1974, the for-profit sector of the hospital industry accounted for about 7.6 percent of beds of community hospitals, rising to 9.8 percent by 1984, representing an increase of over 40 percent in the numbers of beds in for-profit community hospitals. By contrast, private nonprofit hospitals, which accounted for about 70 percent of all community hospital beds in both years, showed an increase of only 10 percent between 1974 and 1984; and state and local government hospitals (accounting for about 20 percent of community hospitals), showed a slight decline of about 3 percent over the same period. This demonstrates a definite increase in the investor-owned hospital sector, although the nonprofit sector still controlled the majority of total community hospitals and their beds in 1984 (American Hospital Association, 1985).

According to a 1985 survey of health care multi-unit providers, in 1984, investor-owned multi-hospital systems owned or managed 40.5% of all hospital beds; nonprofit systems owned 54% and public systems owned 6% of the total beds in multi-hospital systems. Between 1983 and 1984, investor-owned systems reported a 22% increase in revenues and an increase of 28.5% in profits, whereas nonprofit systems reported a 3.1% decrease in revenues but a 34.5% increase in profits; public hospitals reported a 6.1% increase in revenues, and an 18% loss in profits (Johnson, 1985, p. 76).

Increasingly, multi-hospital systems combine profit and nonprofit organizational structures, integrating services both horizontally and vertically within a holding company configuration to maximize capital and reimbursement options and increase their competitive market share (Goldsmith, 1981). This creative management strategizing has blurred the boundaries between the nonprofit and the for-profit sectors within the health care system. Differentiation between the nonprofit and for-profit sectors is further confounded with the growing number of hospitals managed by contract by for-profits.

The implementation in 1983 of hospital prospective payment (i.e., Medicare DRGs) is the latest and most powerful cost-containment strategy of the past two decades. Medicare now pays for services based on a fixed-fee payment to the hospital per patient diagnosis (DRG) upon admittance. The incentive is to reduce hospital length of stay by discharging patients earlier than in the past. Multi-hospital chains, both investor-owned and nonprofit, are organizationally extending their services to capture the profitable market for medical service following hospital discharge; thus, outpatient services and home health are the fastest growing "market" segments in the health care field. For example, between 1978 and 1982 proprietary home health agencies grew 540%; nonprofits in home health grew 78% and VNAs 1.6% (Benjamin, 1984).

Some futurists project that by the turn of the century, the health industry -- like the automobile industry -- will be controlled by a few giants, providing services from cradle to grave in one integrated, profit-making system. It is predicted that a small number of health maintenance organizations (HMOs), both profit and nonprofit, will comprise the future of U.S. health care. Based on current policies and trends, Thurow has predicted that medical care will be provided through a segregated three-tiered system, with a public sector (for the poor), a fixed-price prospective (e.g., HMO) sector (for the middle and working class), and a free market fee-for-service sector (for the upper income) (Thurow, 1985). Lee and others have noted that at least three different responses to rising costs appear to be emerging: 1) the regulatory response, such as all-payer rate setting (more on the East coast) and Blue Cross, third-party payment, with few proprietary hospitals); 2) the competitive response (more in the West and South), with charity care being sloughed off to the public sector; and 3) muddling through (in the Midwest), with mixed policies and strategies (Lee, personal communication, 1986).

That such changes in structure and status of organizations and institutions comprising the U.S. health care system will have profound implications for health care of the American public seems obvious. Yet, the nature, extent, and consequences of these changes are largely unknown, as are the implications for all levels of government, the free enterprise system, the practice of medicine, the nonprofit sector and philanthropy.

Philanthropy and nonprofits have a strong history of contributing to the public good (Kramer, 1981; McCarthy, 1983); in creating a system of quality medical education and hospital care (Brown, 1960; Stevens, 1982); and in improving access to care (Iglehart, 1983). It is important, therefore, that philanthropy provide a leadership role in researching these issues, even though actual philanthropic support of health care is relatively low (e.g., about 9% of total 1980 nonprofit sector health revenues compared with an independent sector average of 22%) (Salamon and Abramson, 1982).

Issues Facing the Health Care System

In a recent survey, most of 415 health leaders believed the public's greatest health concern had shifted to costs, as compared to the concern for access and equity in the 1960's and 1970's. Although there was little agreement as to "solutions" (regulation, competition or a combination), there was consensus that consumers and government would exert increased influence, while providers were projected to have decreased influence in shaping future health policy. The survey identified three areas of debate: 1) lifestyle/wellness vs. medical technology as the preferred means to improved health status; 2) public vs. private health care delivery and financing (there was no mention of nonprofits or philanthropy); and 3) individual vs. collective responsibility for health and health care costs (Policy Research Institute and Project HOPE Center for Health Affairs, 1985).

An Institute of Medicine (IOM) (1983) study on the future in light of the increasing corporatization of medicine identified seven issues: 1) financing and reimbursement, 2) decision-making and governance and community-patient relationships (and trust), 3) cost control and efficiency (including market success and industry profitability), 4) equity and access, 5) ethics of rights to and responsibility for care, 6) societal expectations and 7) deservedness of patients to receive care (e.g., uncompensated care).

Foundations and Health Spending

Researchers at the Center for Health Policy Studies, Georgetown University, with funding from the Robert Wood Johnson Foundation have tracked private foundation spending for health care, documenting changes between 1975 and 1980 (Dooley, Jackson, Merrill, Reuter, and Tyson, 1983). For the period studied, foundation spending for health increased 28 percent, while federal spending increased 92 percent. In 1980, the federal government spent 89 percent of its health dollars for direct services; in contrast, private foundations spent about 80 percent of their health funds for "investment," defined as contributing to the long-range development of the health care system, including support for biomedical and health services research (25% in 1980), manpower training and planning (24%), and construction (34%). Between 1975 and 1980, foundation funding of research increased 73 percent (mostly for health system planning and development). In 1980, $152 million of foundation research spending was allocated as follows: 76 percent for biomedical research and 16 percent for health services and policy. Between 1975 and

1980, total foundation health grant dollars to universities increased 41 percent; funds to research institutes increased 86 percent; funds to state and local governments grew 472 percent and those to local voluntary organizations increased to 105 percent (Dooley et al., 1983).

Not as current, but nevertheless significant, is a 1974 study prepared for National Institutes of Health (NIH) to establish a benchmark for total foundation spending for research and development. In 1974, only 6.7 percent of U.S. foundations funded health research (at $78.9 million); 194 foundations accounted for 68 percent of all funding; 30 foundations accounted for 40 percent of all research spending; roughly two-thirds of all foundation research dollars were allocated for biomedical research and 20 percent for health services research. Interestingly, 40 percent of foundation grant dollars for research and development were awarded by foundations whose major focus was education; 25 percent by foundations with a major focus in health. Fifty percent of foundation research dollars were granted to universities, 38 percent to nonprofit organzations and only 12 percent to state or local governments or industrial firms (Samers, 1978).

Research on the Nonprofit Sector and Health

There is relatively little research specifically addressing the relationships between the nonprofit sector and current health policy and health services issues. (The emphasis in the 1980's has focused almost exclusively on the growing impact of the for-profit sector in health care.) A review of the 1985 American Public Health Association (APHA) annual meeting program on "Government Responsibility and the Peoples' Health" provides a timely research picture of current interests. A major plenary session focused on the privatization of health care and the transformation from a largely nonprofit to for-profit delivery system, while other presentations addressed issues such as: the impact of cost containment policy on payers, the closure of small, rural hospitals, medical practice patterns and reimbursement, the impact of multiple hospital systems on physician behavior, hospital ownership and differences in service delivery, the public hospital and uncompensated care, access and the need for government intervention in a pro-competitive environment, and long term care. Although a major theme was cost containment throughout, issues of access to care for the poor, uncompensated care and the uninsured also re-emerged as issues of growing concern -- this, after nearly a decade of concern with costs.

The Program on Non Profit Organizations (PONPO) at Yale University has undertaken a number of significant studies on issues related to the nonprofit sector and health policy. Of major importance have been the research projects on the nonprofit organizational form and hospitals, ownership types and organizational behavior and tax exemptions for hospitals to provide of "charity" care (Independent Sector, 1985; Clark, 1980).

Important information about the nonprofit sector and the health care system has been developed by Salamon and Abramson (1985) at the Urban Institute in documenting the effects on nonprofits of federal budget cuts initiated and proposed during the Reagan administration. Noting that in FY 1980, the federal government spent almost $150 billion ($148.3 billion) on programs relevant to nonprofit organizations (areas in which the nonprofit sector is active), the largest share, accounting for $53.0 billion (largely

Medicare and Medicaid) went for health. By the end of FY 1985 federal expenditures for nonprofits, exclusive of Medicare and Medicaid spending, will be about 10 percent below the 1980 level. Within the health field, the greatest cuts (approximately 25%) were for health services funded by block grants to states or other discretionary programs (outpatient clinics, drug abuse and mental health). To date, total charitable giving (including foundation grants) have replaced only a small proportion (less than 10 percent in 1983) of losses in government funding (Salamon and Abramson, 1985).

Research investigators at the Institute for Health & Aging, University of California, San Francisco have identified several major changes that appear to be affecting nonprofit health and social service providers serving the elderly. As a consequence of domestic budget cuts, health policy changes and hospital prospective payment, these services are being restructured in ways that will affect the delivery of community health services in the future. Four change processes have been identified (Estes, forthcoming, 1986; Estes and Wood, 1985; forthcoming, 1986):

1. The redirection of publicly-conferred advantages and resources (e.g., federal funding, preferential regulatory treatment and legitimacy) from the nonprofit service sector to the for-profit service sector through deregulation, depreciation allowances and tax and other advantages to business (e.g., proprietary hospitals have received profits under Medicare that are not allowed nonprofits). Profitmaking opportunities are thereby expanded for private capital in the provision of health and human services. New federalism, cost containment and the promotion of a crisis atmosphere around Social Security and Medicare each have encouraged the privatization of public services and market solutions that favor for-profit service provision.

2. A restructuring of health and human services at the local level, characterized by the expansion and diversification of organizational forms and increased competition for nonprofit agencies from: (a) proprietaries (in certain sectors) and (b) other nonprofits (e.g., nonprofit hospitals' competing with pre-existing, smaller nonprofit home health agencies, with hospital entry into the home health field).

   As the nonprofit sector itself is being restructured and agencies are increasingly pressed to behave like for-profits, "inefficient" nonprofits are "weeded-out." There is a potential for domination of the nonprofit health service sector by new forms of "mixed" organizational types that combine nonprofit with for-profit subsidiaries to maximize the advantages of each type, but with unknown consequences for clients, providers, and the nonprofit sector itself.

   One dilemma is that such "mixed" organizational forms are themselves likely to challenge the legitimacy of the nonprofit service sector; for, the more like for-profits that nonprofits become, the more likely they are to compromise their historic missions of charity and volunteerism. One important issue is, who will care for the charity care ("indigent" or "uncompensated care") patients whose treatment traditionally justified the special status of nonprofit sector institutions?

   Another result of this restructuring is that surviving (and thriving) nonprofits in health will likely be stronger, larger, more concentrated, and possibly regional or national rather than local. Multi-institutional systems are "in," and the single, free-standing nonprofit hospital or agency is becoming more difficult to sustain.

The restructuring of health and human services via their "corporatization" is occurring both in the institutional (e.g., hospital) and noninstitutional sectors (e.g., community services such as home health). Given the large scale and multi-institutional nature of much of this corporatization (through vertical and horizontal integration), issues of local control are raised, as are other issues of consumer choice and the willingness (or ability) of such organizations to treat low-income patients, given the lack of profitability in such endeavors.

3. The fragmentation of services, as most payment sources tend to reimburse for single services. Simultaneously with conditions promoting this fragmentation, the funding sources to support or pay for comprehensive services are dwindling. The tendency to "unbundle" services is fostered, as well, by the enhanced profitability of such market segmentation strategies. Both trends have the effect not only of fragmenting the delivery of services, but also of increasing the overall costs of care. An additional element is the apparent substitution of diagnostic and therapeutic technologies (e.g., respiratory therapy, parenteral nutrition, intravenous drug treatment) in place of the social support services (e.g., personal care, homemaker care, and counseling). Reimbursement policies have encouraged this change, as well.

4. The "informalization" of services, in which services that were formerly supported by the public sector (and delivered by the nonprofit sector) are being defunded and transferred back to family and community. As families are asked to assume increased responsibility for the care of elderly relatives who are discharged from hospitals early to save Medicare costs, there is transfer of work from the hospital to women in the home, who provide most of the caretaking in the U.S. This form of reprivatization reassigns functions formerly provided elsewhere to the informal sector without compensation or subsidy.

The implementation of the DRG reimbursement plan for hospitals under Medicare is the most important federal health policy change to have occurred in two decades (Estes and Lee, 1986). As part of a general attempt to control U.S. health care costs, this policy change is the second phase of federal cost-cutting. (The first was in the domestic spending cuts imposed under the 1981 Omnibus Budget Reconciliation Act.) The issues for nonprofit health providers have become traditional private for-profit sector issues: winning in competition, quick turn-over of clientele, delivering the most units of service for the lowest cost, and eliminating services that are not profitable. What this means for the recipients of health care is that complex, heavy care patients without adequate health insurance coverage (and Medicare is not adequate) will be weeded out of the system. As nonprofit health and social service agencies are increasingly forced to operate in a competitive mode, their traditional goals are likely to be influenced by considerations of price competition, profit-making, and "market share" (Wood, Estes, Lee, and Fox, 1983; Wood, Fox, Estes, Lee, and Mahoney, 1985).

When foundations were asked to identify the effects of federal policy changes since 1981 on their activities, they reported the major effect as an increase in the number of requests received for funding. "Emergency assistance" and "the replacement of government funds" were the major reasons cited by foundations for the dramatically increased number of funding requests that they reported. These requests were described as "more desperate" and "for survival" in comparison to previous periods (Mahoney and Estes, 1986). During the first phase of effects of policy changes (1981 to 1983), foundations reported funding programs for children and families, first, followed by funding for emergency assistance. In the second phase (1984), foundations continued their strong support for programs for children and families, followed respectively by increased funding for the elderly, the arts, and emergency assistance -- thus, "filling in" specifically in those areas where government cuts have been most severe. A related study is examining the contemporary role of philanthropy in health policy formation and implementation (Mahoney, forthcoming).

While the evidence suggests that the nonprofit sector is in a fluid state, attempting to adapt organizationally to accomodate to broad policy changes, questions exist as to what changes in mission and function will be undertaken in the future to maintain viability. Given these dynamic changes afoot, a basic question is whether there is a "structural crisis" for the nonprofit sector in health -- one in which the basic character of production, distribution and management, and expression in social organization is being challenged.

Three conditions for the preservation of significant nonprofit sector activity in health will be: (1) sufficient funding (e.g., public and private resources to support nonprofit services); (2) minimal administrative capability and rationality; and (3) continuance of society's legitimating belief in the appropriateness of nonprofit endeavor in this particular arena. (These are the same requirements for the continuing support of government activities.)

Because the contribution of the nonprofit service sector directly to the economy is invisible in the sense that no actual "profits" are produced, there may be special legitimacy problems for the sector, if and when one or more of the following conditions exist: (1) crises in the legitimacy of government; (2) fiscal crises of the governments that finance the nonprofit service sector; (3) crises of the "welfare state," of which the nonprofit service sector has been an important instrument; (4) successful attacks on the legitimacy of the poor, elderly, or other disadvantaged groups that are served largely by the nonprofit sector; and/or (5) problems in "getting the economy going again," thus requiring public policies of sacrifice to stimulate the economy (Estes, forthcoming, 1986).

The Emergence of New Research Questions

Since the Filer Commission, a knowledge base had begun to emerge in a field that was virtually a research wasteland. However, much work remains to be done. For every research question that is answered, another arises in its place requiring new answers. These questions, indeed, their very emergence, present a unique opportunity and challenge to philanthropy, and to society.

Research is critically needed on the nature and extent of the "corporalization" of health care and its consequences for the nonprofit sector, for government at all levels, for business, for health providers, for volunteers, for those who need health care (including the poor, the elderly and others who are presently "uninsured"). Some key questions to be asked:

- What is the viability of the nonprofit sector in health? What form will the surviving nonprofit sector assume in the delivery of acute care health services? In the delivery of long term care services (an increasingly important segment of health care given the growing elderly population)?
- Given the historic mission of philanthropy and the nonprofit sector in charity and in caring for those in need, what is, and what should be the role of the nonprofit sector in promoting access and equity? What will be the role of private philanthropy in addressing the issues of indigent (or uncompensated) care during this era of austerity?
- How can the nonprofit sector continue to survive, thrive and pursue its mission while promoting cost containment?
- Given cost containment policy promoting the increased use of voluntary action, and the shift of the locus of caring for the sick and the elderly to home and family, what is the impact on organizational "volunteering"?

Philanthropy and the nonprofit sector are uniquely endowed with creative leadership and fiscal resources to promote and support research to answer the above questions. There are several reasons why it is appropriate for philanthropy to assume a leadership role in research on health policy, nonprofits, and philanthropy:

1. Philanthropy played an early and critical leadership role in the support and development of medical education, biomedical research, public health, and international health that has profoundly shaped the direction of U.S. medical care; why should it withdraw its support at this critical juncture of change?

2. Government has historically used nonprofit, nongovernmental entities (e.g., private nonprofit hospitals) to carry out federal purposes, explaining the long term role of nonprofits in health (i.e., "third-party government") (Salamon, 1983)); philanthropy has been an important partner in this support.

3. The institutional infrastructure of American hospitals has been, and continues to be significantly nonprofit (in spite of the growth of multi-hospital and proprietary chains) (Rodwin, 1985); philanthropy has played an important role in the growth of nonprofit hospitals.

4. The health subsector is the largest subsector within the independent sector itself, accounting for 49.6% of operating expenditures and 45% of employment of the total sector, as well as 1.5 billion hours contributed by 25 million volunteers (Hodgkinson and Weitzman, 1984, p. 52 and 65); this involvement gives philanthropy a major stake in health care issues.

5. The absolute magnitude of the U.S. health expenditures justifies attention to it. (Expenditures exceeding $355 billion and 10.8% of GNP in 1983, and they are projected to increase to $690 billion and 12.3% of GNP by 1990) (Freeland and Schendler, 1984); this provides a major incentive for philanthropy to monitor future cost increases.

6. A relatively large proportion of national health expenditures is paid for privately (estimated at 58%, or $227 billion in 1984) (Freeland and Schendler, 1984); organizations in the independent sector are major purchasers and payers for medical care.

7. The health sector is extremely important to the U.S. economy as a whole, as either the second or third largest U.S. industry by a variety of measures; this means that its continued viability is important to the economy as a whole.

8. The charitable purposes of philanthropy have historically allowed it to invest in the "community" or "public good" based on ethical rather than economic considerations (Payton, 1983; O'Connell, 1983); because access to health care has been valued as a public good, philanthropy must be strongly invested in health policy and health care.

As Daniel Yankelovich stated at the 1981 Council on Foundations annual meeting: "Foundations have an important role to play in shaping the national debates on the great issues of our time and stripping away the technical gobbledygook to get to their moral and practical essence" (Yankelovich, 1982, p. 11).

NOTE

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WORKING DRAFT

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PHILANTHROPY, THE ARTS AND PUBLIC POLICY

by
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Attempts to explore, indeed even to discern, the triangular interactions and inter-relations of philanthropy, the arts and public policy are rare. Rather, research has, at best, examined only pairs of these topics--that is, philanthropy and the arts, public policy and the arts, or philanthropy and public policy. In each case, research has tended to be process-oriented or descriptive, often limited to presenting case studies. Analysis has been constrained by data collection problems and inconsistencies, by definitional variability, and by the underdeveloped state of theorization.

This being the current state of research, findings are seldom explanatory, rarely predictive. Nevertheless, progress is being made. A body of descriptive case studies is being amassed which provides a basis for comparative analysis, both within the American context and between the American and European cases. The collection of statistical information had both expanded and improved. Therefore, this report has few findings to discuss. Rather it will first survey the recent evolution of social science (especially policy analysis) research on the arts and philanthropy. Then it will identify the major data sources that have been developed and discuss some of the problems and limitations of their usefulness. Finally, it will propose ways in which the relation between art, philanthropy and public policy may be conceived, drawing analogies from other types of political analysis and presenting illustrative examples.

A Brief Research Review

With the exception of art historians who have a long-standing interest in arts patronage, scholars in the social sciences have only recently developed a sustained interest in each of these three subjects.1 Sociologists, economists, and political scientists each date the beginning of the current flowering of their interest in the arts to the 1960's. As the pathbreaking work, sociologists point to Robert Wilson's Arts in Society (1964) and cultural economists to William Baumol and William Bowen's The Performing Arts, The Economic Dilemma (1966). Since these works appeared, sociological research has devoted considerable attention to the social context surrounding artists, artistic creativity, and artistic consumption. Much work has been done on the organization and process of artistic production and consumption as well as on the social uses of art (whether these be control, catharsis, or status mobility). Questions of aesthetic ideology, particularly concerning the traditionally accepted distinction between high and popular art or between elitism and populism,2 have also been a research focus.

Similarly, cultural economists have extended and refined their analytical methods and arguments concerning "market failure" and the "earnings gap". They have also developed a more positive body of case study research and projection regarding the "economic impact" of the arts on the local/regional economy.3 A Journal of Cultural Economics has been established. Additionally, interesting new economic concepts are being proposed by scholars both outside the discipline and from outside the United States that merit examination and testing by economists.

For example, Harry Chartrand, research director of the Canada (Arts) Council, proposes that the non-profit arts should be considered the R & D component of a general arts industry. He estimates that, in Canada, such an industrial sector ranks 11th largest in terms of revenue and 6th largest in terms of wages and salaries. Furthermore, he notes that this is the only major industrial sector presently without significant apparent outlays for R & D. Such an approach seeks to link the non-profit arts with cultural activities of both a commercial and an amateur nature. Chartrand's argument also seeks to demonstrate the derivative as well as the inherent value of the arts.4

As another example, Paul DiMaggio has suggested that "quality" (and it might also be suggested,"creativity") should be substituted for the idea of profit when analyzing the economic functioning of the non-profit arts. He has also pointed out that market-based analytical standards are inappropriate for the arts which, instead, function in a "market-place".5

With regard to arts policy and politics, the break-through event was the creation of the National Endowment for the Arts in 1965. This established the arts as a legitimate and continuing issue of public policy. Coincident with this event, the history of federal arts policy began to emerge with the publication of a number of studies on the New Deal arts programs.6 Concentrated attention to arts policy by political scientists was, however, impeded by the scientism of the then-reigning behavioral analysis paradigm (which implicitly regarded the arts and, by extension, arts policy as too subjective and non-quantifiable a topic for serious study). It was also constrained by the relative newness of the subject as an object of sustained governmental action. By the late 1970's, however, these impediments began to recede and the appearance of Dick Netzer's The Subsidized Muse (1978) pointed the way to arts policy analysis while Milton Cummings (1976) set out a research agenda for the study of public policy and the arts.

The mid-1970's also saw the emergence of a group of political scientists engaged in arts policy research. The first decade of their work has been concerned primarily with documenting the record of contemporary federal arts policies and the evolution of its issue network. Indeed, much of this research has only begun to appear during the 1980's and much remains to be done.7 Thus, social science research on the arts and on arts policy has not only established a footing, but it has gathered momentum and begun to move into the mainstream of the various disciplines.

In contrast, social science research on philanthropy has been sporadic and relatively meager. The most plentiful of this has been economic and concerned primarily with the effect of tax law as it either encourages or impedes charitable contributions and/or philanthropic activity. During the last twenty years, major revisions of the tax laws (in 1969 and 1981) seem to have occasioned research in this area, while the Peterson and Filer

Commissions of the mid-1970's provided further stimulus to economic research.

The disciplines of sociology and history have shown less interest in philanthropy, except as an occasional subject for study as an example of social behavior, the professionalization of social services, regional or social history, or biography. Of all the social sciences, political science has been least aware of philanthropic and non-profit phenomena, perhaps because they have implicitly regarded such "private" activities and institutions to be, by definition, outside the valid scope of their inquiry into things public. With rare exceptions, political science studies of non-profit phenomena have only recently begun to appear.8 Similarly, discussions of the arts policy implications of recents studies by social scientists of various disciplines have begun to appear with some frequency.9

Although the foregoing and broadly sketched survey of research on art, philanthropy and public policy may appear gloomy, there is much cause for optimism. The increasing academic interest in inter-disciplinary and multi-disciplinary research is likely to support the expansion of this field of inquiry. The need for inter-disciplinary competence also presents a challenge since micro and intermediate level studies of socio-political phenomena involving the arts are enhanced by a relatively sophisticated understanding of the arts. Hence, individual researchers benefit from dual competencies in both social science and the arts, as well as from collaboration and interaction with scholars from a variety of fields.10 An appreciation of the distinctions and differences that characterize philanthropy and public policy regarding different forms of artistic activity is also important to macro-level analysis since it bears upon the extent to which generalization will be valid. Indeed, sensitivity to variation among the arts is but a small part of striving toward the ultimate goal--theorization about how all three sectors of the socio-economy are interrelated, about how essentially personalistic and formal/rational organizations and behavioral patterns interact, and about how dynamic and differing normative systems (aesthetic, philanthropic, and political) act upon each other.

Issues of Definition and Data

Unlike scientific knowledge that advances largely through experimentation, Our understanding of complex social phenomena seems to be advanced by other research approaches--notably through comparative case analysis and through longitudinal historical analysis. Additional insights are often gained by transposing concepts originally developed for analyzing one subject and adapting them for use in addressing other (often quite unrelated) subjects. At a minimum, each of these approaches requires substantial "raw" data; at best, one can hope for considerable comparability among the "distilled analyses" found in individual case studies or in the compilation of data for an extended time period. In many instances, these basic resources are neither easily nor broadly available concerning art, philanthropy, and public policy. Even when available, such information often goes unused.

For example, the recent controversy over Richard Serra's sculpture "Tilted Arc" in New York City provoked a spate of discussion and debate over public art and its governmental sponsorship. Virtually all of this coverage was merely reportage or advocacy. Few attempted to analyze the controversy, either by seeking to explain its possible causes or to assess the merits of the involved parties and their arguments. There was also little effort to inform discussion with a sense of broad systematic comparison or of historical perspective despite the fact that the data to do so was available. Fully documented and illustrated listings of the record of the two major federal programs which commission public exist in book-form.[11] (These programs were the General Services Administration's Art-in-Architecture Programs and the National Endowment for the Arts' Art in Public Places Program). Taken together, these "catalogues" provided a historical survey of over 15 years of federal patronage of public art, complete with information about administrative processes, commission prices, artists, artistic styles and mediums, and installation sites. In other words, they presented all the information necessary to conduct both historical and comparative case analysis that might discover the likely roots of this specific controversy.

Professor Judith Balfe (a sociologist who was also trained as an art historian) and myself reviewed the record of the GSA and NEA programs and believe we can identify both primary and secondary factors that explain the problem of "Tilted Arc".[12] Thus, according to our analysis, it can be posited that public sculpture of a particular medium (corten steel), style (minimalism), and scale (monumental), when installed in certain settings (old urban with high structural and population densities) are likely to provoke an intensely negative public response. Change any one of these conditions and controversy is likely to be reduced.

Yet these conditions constitute only the necessary elements to a potential public art controversy. The factor that appears sufficient to spark and fan controversy is administrative procedure: direct and permanent federal responsibility for an artwork commissioned without adequate community consultation will turn a challenging artwork into a public policy problem. In contrast, temporary federal collaboration with local sponsors in obtaining a public artwork (the procedures of the NEA program) has largely avoided such controversy even while commissioning pieces by the same artists, in similar styles, composition, scale and setting. Furthermore, an examination of other cases where Serra was considered or awarded other public commissions shows that his public works were likely to be problemmatic. These "facts"could have alerted GSA to anticipate controversy and to take steps to prevent the present problem. We were fortunate that the program histories existed in these instances. While this is not always the case, both institutional and programmatic histories are appearing with enough frequency to provide valuable data that merits analysis and application to current issues.

Another source of information is the anniversary and commemorative volumes that have been published about many of our major arts institutions.[13] The best of these present not only a narrative and anecdotal history, but also document the artistic product, e.g., performance repertoire, creative production, associated performing and creating artists. From such information, one can begin to discern changes in artistic style, range and (perhaps) quality--a necessary precondition if one is to explain the magnitude and influences upon such variation by relating them to factors in the artistic, social, economic, political, or philanthropic environment.

Indeed, some provocative research has sought to link the character of artistic product with extra-artistic factors, such as sources of support or organizational elements (e.g., leadership, size, growth pattern, and degree of institutionalization). For example, in an article on resident theater, Paul DiMaggio suggests that creative innovation and diversity is a function of growth rate, institutionalization, and degree of dependency on earned income. Thus, since, 1971, established theaters that avoided both rapid growth and increased dependence on box office income became more innovative, while those that grew rapidly and became increasingly "market-oriented" became more conformist. Additionally, resident theaters seem most likely to be innovative when they are small and new; many of these are also quite unstable and short-lived. DiMaggio notes the paradoxical public policy implications of these findings. Namely that "policies designed to foster growth and institutionalization may threaten diversity, while policies that encourage innovation may dampen growth and threaten stability."[14]

Research such as DiMaggio's on resident theater companies, of Martorella on opera, and of Balfe and myself on public art and on the repertoire of American Ballet Theatre are moving analysis forward into a new phase.[15] Prior research, such as Netzer's (1978) focussed on the effects that support (in his case, governmental) had on arts organizatons. For example, Netzer argued that increased government support for theatre did not significantly increase artistic production (as measured in number of performances) but rather had the effect of increasing theatrical wages. Such a connection need not be confined to the effect of governmental patronage; a similar argument can be advanced regarding the impact of the Ford Foundation's orchestra support program of the late 1960's. While these interrelationships are interesting, they seem of only intermediate significance because they do not address the central concern. Namely, what effect (if any) does patronage have on the arts; on the artwork itself or its "quality"; on its artistic producers; or even on the character composition, response and extent of its audience?

Similarly current research is only starting to grapple with the artistic effects of philanthropy, whether public or private in origin. I would suggest that consideration of the possible linkages between patron support and artistic effect has progressed in two stages and is now entering a third. In each stage, an assumption about the character of the linkage has been implicit to, and hence in large part guided, what questions researchers asked and sought to answer.

Historically, in eras when major individual patrons were active, it was expected and accepted that major donors (especially if the preeminent patron of either an artist or an arts organization) would have an affect upon the artistic product. In part, this seemed obvious from the mere fact that patrons generally had an idea of what they wanted before they sought the artist who could realize that objective. For example, the impact of Henry Lee Higginson on the establishment of the Boston Symphony was not simply a matter of administrative organization and financial management but extended--profoundly--to artistic matters such as the quality of musicians and the character of the repertoire.[16] More recently, the effect of major dance patrons such as Rebekah Harkness and Lucia Chase encompassed not only the finances of the companies that they supported (Harkness Ballet and American Ballet Theatre) but the artistic composition and character of those organizations.

A second conceptual phase seems to have accompanied the institutionalization of patronage. As major individual patrons became rarer and the costs of supporting the arts rose out of the range of individuals, institutions became the new major patrons. First came the foundations, then the federal government, and most recently the corporations and subnational governments. As patronage became more institutional, the link between patron and artistic effect seems to have been de-emphasized and, indeed, even disavowed. For different reasons, each new major patron was expected to support the arts in a manner that was "non-interfering". Thus, since institutional patrons were expected to act in aesthetically neutral ways, researchers had little reason to look for or examine the artistic effects of institutional patronage. Other environmental and procedural factors further encouraged either the institutional emphasis or discouraged an aesthetic focus. Procedurally, the artistic cause and effect linkage seemed to become a moot point since artists and, especially, arts institutions took the initiative in seeking the patronage of foundations, corporations and governments. Since the artists came to the funding institutions with a project proposal, this seemed to minimize the possible "interference" of the patron in the artistic product. Coincidentally, the intellectual quest for a value free social science and the socio-political rise of pluralism discouraged a concern with the value laden and arguably elitist issues raised by aesthetic matters.

In the current and third phase, questions of the artistic effects of institutional patronage are again being broached and issues of aesthetic quality and standards are reappearing. Research on such questions will be challenging. Institutional aesthetic philosophies are often complex and collective and seldomly explicitly articulated. For example, the National Endowment for the Arts staunchly purports to have no aesthetic philosophy: it maintains that it does not have an arts policy but merely has a policy of support for the arts. While such a declared stance has apparent political advantages, it complicates the chore of the researcher attempting to discern patron preferences. Secondly, the aesthetic philosophies-- or tastes-- of the analyst are now more likely to enter into the discussion of artistic quality and standards. A degree of such subjectivity is to be expected, indeed, it may be viewed positively as a sensitivity to the inherent nature of the subject matter to be analyzed. Analysts should, however, have the integrity to declare their own aesthetic assumptions.

Issues concerning leadership in the arts, in arts policy, and in philanthropy are also attracting the attention of researchers and practitioners. For example, the National Assembly of Local Arts Agencies is exploring the possibility of developing a program with the Humphrey Institute of Public Affairs that will train local arts activists in entrepreneurial skills. Alternatively, other arts organizations are grappling with the tension between artistic and administrative directors. Recent years have seen a number of notable cases where either the artistic or the executive director has been ousted because of this tension, often with the result of further disrupting the organization (e.g., the dismissals of the artistic directors at the Pennsylvania and Boston Ballet Companies). Among both public and private arts administrators there is a rising concern for the preservation of institutional memory and for dealing with the crisis of succession, particularly as founding artists (e.g, Martha Graham, George Balanchine) age and approach retirement or death.

As students of leadership, succession, and administrative behavior in the public environment, political analysts seem particularly capable of bringing new insights to these questions. Studies on some of these topics has already begun to appear. For example, Laurence Mankin has surveyed chairmen of the NEA, assessing variations in their styles using Anthony Downs' typology of bureaucratic leadership.17 I have recently completed a study of the entrepreneurial strategies used by Nancy Hanks as chairman of the NEA as part of a project on innovative leadership in public organizations.18 In doing so, it became clear that responsiveness to context played a significant role in the success (or if lacking, the failure) of such public entrepreneurs. Indeed, there would appear to be many possible similarities between innovative organizational leaders of the public and the nonprofit sectors. Further, I would suggest that arts and philanthropic administrators might learn some useful lessons from comparison to public administrators. At the very least, it would accord them a different perspective than that which they generally derive from a comparison to the private sector and business administration models of management and governance.

The foregoing discussion and examples are suggestive of many avenues for further research and reconsideration. Let me select three for further discussion. First, and most basically, it would appear that adding public policy concerns and concepts to the analyses of the arts and philanthropy, raises the possibility that the assumed categorization of what is public and what is private bears some reconsideration. Certainly both the arts and philanthropy have been perceived as private activities. Indeed, the individualism characteristic of both seems to mark them as epitomes of private action.

However, what was undoubtedly the case historically may be a less accurate understanding of the current condition or it may now be of variable accuracy within the artistic and philanthropic worlds. One can argue that an artist who is commissioned by a government agency to produce an artwork for a public plaza and who is paid with the taxpayers' money is not engaged in a private activity. Clearly that situation is quite different from that of an artist commissioned and paid for by an individual patron to produce a work that will be displayed in their library. Similarly, there was a time when even major arts institutions--museums, orchestras, opera and ballet companies--were essentially the creation of individual patrons. This is seldom the case today. Rather, the greatest of these institutions have acquired the informal status of "national treasures." In other words, much artistic and philanthropic activity, particularly that of a large institutional character, has become more public and less private than previously. This transformation is not unique to the nonprofit sector but can also be seen in the private commercial sector as well, where large corporations are listed as "public" companies, sell their stock as a "public" offering, and have assumed a sense of civic/social respons-ibility. Thus, "public" has meanings other than governmental and has come to encompass that which is of societal or community importance.

Secondly, and again related to questions of definition, "the arts" is surely an ambiguous term, yet we often speak as though all forms and stages of artistic activity were comparable. Of course, this is not the case. Artistic creation is different from artistic performance. The fine and literary arts are primarily the product of solitary creative artists, while theater, dance and opera are essentially collective, collaborative endeavors. Although museums are major cultural institutions, they are quite different entities from major performing arts institutions. Both museums and performing arts institutions are yet again different from arts centers and other arts presenters. Differences of artistic substance and structure give rise to and reflect differences in training, career paths, and creative longevity as well as to variations in marketability, audience accessibility, and patron support. Different art forms are affected differently by different technologies. Even within artforms stylistic differences and amateur/professional distinctions can be substantial.

These variations, in turn, have significance for policymaking and policy analysis. It is quite difficult to make policies that will be generally applicable to all of the arts. Furthermore, since each of the arts is constantly changing, policy must be reviewed frequently, responding and perhaps even anticipating different kinds and rates of change in various arts. For policy analysis, this situation demands a holistic and highly contextual understanding of the artistic and political environments as well as of the social and economic constraints and opportunities influencing each.

Similar to the ambiquity inherent in "the arts", so too with the notion of "philanthropy." Philanthropy is a diversified set of activites and institutions that vary along dimensions both of size and kind. The philanthropy of foundations is different from that of corporations and from that of individuals. Furthermore, the biggest of the foundations operate in a manner, with an impact, and on a national scale that is not characteristic of smaller foundations. Community foundations are yet another variant. Likewise, corporate philanthropy differs according to industrial sector, corporation size, and internal organization. It is engaged in for various reasons, directed at varying concerns, and display great variation as to impact and visibility. The philanthropy of individuals is a mosaic of differences in motivation, pattern, scale, and impact.

Finally there is the question of whether governmental support for activities generally thought of as philanthropic can, itself, be called philanthropy. Is government patronage of the arts public philanthropy or is government action, because it is authoritative, incapable of being voluntary or philanthropic? In other words, when we speak of philanthropy and the arts, whose philanthropy are we concerned with--that of individuals, corporations, foundations, or governments? And what variations in intent, magnitude, impact are there likely to be that relate to factors such as organizational type and size?

Thirdly, the statistical data essential to research that is capable of generating broadly generalizable and historically extended findings is still relatively obscure and often difficult to use. Part of the problem is definition: there is little consistency in the categories (or their composition) employed in different data sets, sometimes even within the same data set over time. A more serious problem is the relative scarcity of figures more than 10 years old and the rarity of those spanning more than the last two decades. From the perspective of policy analysis, this means that it is difficult to establish a base-line for the state of the arts prior to the initiation of direct governmental support. Similar difficulties arise from the 1969 Tax Reform Act changes in federal regulations concerning the information nonprofit arts organizations and philanthropies were required to file with the IRS. Before that date most cultural organizations were not required to file a Form 990; until 1979, the Form was so constructed as to collect few items relevant to assessing the economic condition of the arts.

Data sets concerning the arts can be divided into four categories. Those that are

-multi-disciplinary and organization-based
-disciplinary and membership-based (either individuals
  or organizations).
-audience/public opinion surveys
-governmental funding source-based

The first two of the above are concerned with arts production, the third with arts consumption, and the last with public policy and funding. The last three types of data sets have been expanded and diversified during the last decade. Relatively few advances have been seen in multi-disciplinary information gathering. Each of these four categories deserves further comment.

Multi-disciplinary and organization-based surveys. The following four such data sets exist and each is of limited utility.19

1) the IRS Statistics of Income
2) the Census Bureau Economic Censuses
3) the National Research Center on the Arts study of

nonprofit arts and museum institutions
4) the Ford Foundation study on the Performing Arts

The IRS-SOI information on the arts is scarce before 1970 and relative uninformative until after 1980. Furthermore, it is both over and under inclusive in its collection and classification. Many organizations that have an arts interest but are not primarily artistic in purpose are included (e.g., Junior League units, community centers, education/academic institutions). Both amateur and professional arts organizations are included and no distinction made between these two levels of activity. Finally, a number of cultural institutions, particularly museums, are classified as private foundations and hence fall into a separate subset of the SOI data where they are frequently overlooked.

The Census Bureau Standard Industrial Classification studies suffer many of the same problems noted above since the Bureau constructs its universe of organizations from IRS information. It is believed that the Census count seriously underrepresents the number of private arts organizatons and misses completely those that are formally governmental entities (e.g., municipal, state and federal museums and performance facilities).

The NRCA study was conducted in 1976-77 and this constitutes a "snap-shot" of museums and performing arts organizations at a specific date rather than a longitudinal study. Its universe was essentially limited to professional organizations compiled from lists provided by federal, state and arts professional association sources. Data was actually collected from only 13% of these organizations and then statistical projects were made from that base.

Finally, the Ford Foundation study was "the first comprehensive one of nonprofit performing arts organizations in the United States."20 Yet it covered only resident repertory theaters, operas, symphonies, ballets, and modern dance groups--clearly not the entire arts universe. Furthermore, the study only covered the years between 1966 and 1971. Again this is a snapshot, albeit one with shallow historical depth (5 years) and a sharp focus on a selection of professional performing arts activities. There is, however, the prospect that this information will be updated through a study being conducted by Richard Sheldon through Affiliated Artists. If and when this is completed, it would substantially broaden the scope and utility of the original Ford survey.

Disciplinary and membership-based surveys. Although data across the spectrum of arts activities and organizations is limited and problemmatic, information about individual arts disciplines has improved significantly in the last 15 years. The primary reason for this improvement has been the proliferation and increased efforts of arts service organizations. Few arts service organizations existed prior to 1970; the most prominent of these included the American Symphony Orchestra League (ASOL), and the American Association of Museums (AAM), as well as artists' unions such as ASCAP and the American Federation of Musicians. By the early 1970's, the combined effects of an "arts boom" and the encouragement of the NEA had prompted the establishment of service organizations in virtually every field of artistic activity. Today, the organization-based "Big 5" include ASOL and AAM, as well as the Theater Communication Group (TCG), Dance/USA, and Opera America. A host of smaller service organizations also exists, including ones representing state arts councils (NASAA) and local arts agencies (NALAA).

Virtually all of these organizations conduct annual surveys of their members, collecting information on finances, personnel, artistic activities, and audience attendance. Different service organizations employ different data classification schemes, do not fully overlap in the types of information they collect, and frequently change their own collection and classification formats. Furthermore, service organizations collect data for their own purposes, not for policy analysis purposes. Primary among these purposes is the provision of information for their members and as evidence in advocacy seeking increased funds, especially governmental appropriations. These factors create problems in constructing long-rage data sets as well as in comparing data across disciplines. Additionally, relatively few service organizations have data, of whatever condition, that goes back farther than 15 years. Nevertheless, for short-term analysis and for the future, the arts service organizations are a valuable source of information.

Audience/public opinion surveys. Comprehensive, compatible information on arts audiences does not exist. But preliminary and episodic data is accumulating. Many arts organizations sporadically conduct private audience surveys. Although these are not generally public information, a collection of 237 of them was compiled and surveyed by DiMaggio, Useem and Brown (1978). More recently,the NEA developed a Survey of Public Participation in the Arts that was conducted by the Bureau of the Census. Follow-up surveys are also being conducted. A report on this data has recently been completed for the NEA Research Division and provides a wealth of new data for arts administrators and policy analysts.[21] Preliminary data on American arts audiences has been included in the NEA's Five-Year Planning Document (1984), which also identifies many of the questions that remain about the topic, including regional and subregional variations, impediments to and strategies for audience expansion as well as audience education, the audience capacity of arts organizations, and the distintiveness and/or overlap of different arts audiences.

Another perspective on public support for and interest in the arts is found in public opinion surveys. The most elaborate and recurrent of these has been conducted by Louis Harris and

Associates. Four Americans and the Arts surveys have been conducted between 1973 and 1984.

Government funding source based studies. Information on governmental arts patronage activites has become increaingly available during the last five to ten years. For example, the National Assembly of State Arts Agencies (NASAA) has compiled and released figures on annual state and territorial appropriations for the arts. These figures are available for the past 20 years. Furthermore, NASAA has been working to create a National Information System that will standardize and computerize information collected by each state arts council on its applicants. This will result in a nation-wide data bank on the arts that can inform arts policy-makers, provide for better public accountability from public arts administrators, and serve as a resource both for advocacy and research.

Complimentarily, the National Conference of State Legislatures (NCSL) has collected information on the variety and incidence of state programs and policies concerning the arts--such as the creation of state lotteries to support the arts, percent for art programs, art education programs and special art schools, and laws regarding artist rights.

The NEA is also a rich source of information on policy actions, policy issues, and policy-making. Nearly 20 years of Annual Reports now exist, providing data on each program and each grant awarded. Records of the proceedings of the National Council on the Arts also go back for the life of the agency, although access to these is limited since they are available only at the agency library in Washington, D.C. These "Council books" are not only a resouce for policy-making studies, but often include in-house reports evaluating an agency program, presenting the need and justification for a new program, or reporting on an issue or problem arising in the field. The agency has also commissioned surveys or studies of individual disciplines (e.g., Museums USA - 1974) or of particular programs (e.g., challenge grants, art in public places, or expansion arts public-private partnerships).23 Two comprehensive 5-Year Plans have now been issued by the NEA and reveal much about current and future goals of the agency and how it views the state of the arts in America. Additionally, first hand accounts by federal arts administrators have recently started to appear or are still in preparation.24 These, too, will add to the materials that scholars can utilize for policy and policymaking studies.

Phases, Linkages and Analogies

At the outset, I promised to conclude this paper with propositions about the linkages of philanthropy, the arts and public policy, as well as suggest some potentially useful analogues from other areas of political analysis. Thus, this section intends to advance what are hoped will be thought-provoking ideas rather than comprehensive analyses.

One can conceive of the relationship of philanthropy and public policy with regard to the arts in two manners. From one perspective, it would seem that the relationship of government and private philanthropy has evolved through three phases during the last 25 years. The first phase precedes the initiation of direct government involvement in cultural policies and the establishment of the NEA (1965) as well as the Corporation for Public Broadcasting (1968). In this phase, private philanthropy resembled the Madisonian notion of group activity -- that is, it was largely independent of and operated as an alternate to direct governmental action. There were still instances of major individual patrons having a decisive influence upon certain art activities, institutions and collections; similarly, a few large foundations (eg., Ford) and corporations (e.g., Texaco) were noted for their direct support of individual art forms or art institutions. There was little direct governmental support for the arts qua arts policy.

As the decade of the 1960's dawned, this relationship (or more precisely, non-relationship) began to change. Perhaps the first significant signal of changing times was given by a private patron and public official -- Nelson Rockefeller -- who as Governor of New York sponsored the establishment of the New York State Arts Council. NYSAC became a forerunner and model for a federal arts agency and helped to establish the political acceptability of direct government support for the arts. Another sign of change came from the foundations. In the early 1960's, both the Rockefeller Fund and the Twentieth Century Fund sponsored studies that illuminated the problems (especially economic) facing American cultural institutions.25 Together, these reports helped to catalyze political support for the creation of the National Endowment for the Arts and the initiation of direct federal patronage of the arts. The Endowment, in turn, was instrumental in prompting the establishment of an arts council in every state of the union, as well as in four territories, Puerto Rico, and the District of Columbia. Foundations played a similar catalytic role in the creation of the Corporation for Public Broadcasting, this time with the key report coming from the Carnegie Commission (virtually at the behest of President Johnson) and crucial institutional programming development coming from the Ford Foundation through its support of National Educational Television (NET).26

The major foundations continued in their role as catalyst of governmental action through the 1960's and into the 1970's. In the late 1960's, both the Belmont Report and a Ford Foundation essay described the plight of museums and the economic crisis of the arts. These helped mobilize funding increases for the NEA, which, it turn, expanded its assistance to museums, orchestras and theatres as well as to other arts disciplines and activities.

By the mid-seventies, however, it was evident that the relationship between government and institutional private philanthropy was again changing. By this time, the federal government, through the NEA, had become the single largest support source for the arts in the nation. Federal arts funds were not only large in absolute terms but in relation to the resources available from either foundations or corporate patrons since both of these had been diminished by the troubled economic conditions of the mid-seventies. Furthermore, if tallied with commensurately growing state funds for the arts, the amount of governmental patronage was nearly double the federal figure. The following table gives an idea of how the proportions of public and private institutional support for the arts shifted between 1966 and 1984.

Table 1.

Support for Arts in Millions

	Foundations	Corporations	State	Federal	Combined Govt.
1966	57.0%	36.0%	4.0%	3.0%	7.0%
1970	66.0%	23.0%	5.0%	6.0%	11.0%
1976	48.0%	26.0%	11.0%	16.0%	27.0%
1980	36.0%	33.0%	13.0%	18.0%	31.0%
1984 (Estimates)	35.5%	36.9%	13.6%	15.0%	28.0%

Estimated 1984 figures were derived from 1980 Corporations and Foundation figures which were increased by the overall rate of increase for Corporations (55.2%) and Foundations (32.7%) as indicated in Giving USA 1985, p. 52. Government dollar amounts were actual appropriateions for FY 1984.

Source: Figures for 1966 through 1980 from Kenneth Grody, Rockefeller Foundation Report, 1983.

One can clearly seen the dominance of foundation patronage in the 1960's and early 1970's and the meteoric use of government support during the 1970's. By 1980, the three "patrons" had become virtually equal partners in support of the arts. Indeed, "partnership" characterizes the relationship of philanthropy and government concerning the arts. During the early 1970's, governments was the "junior" partner, often following the lead of foundation and, occasionally, corporate programs. Later in the decade, the federal government had become "a", if not "the", senior partner. The NEA continues to maintain this role into the 1980's, aided by the largely symbolic and advisory assistance of the President's Commission on the Arts and Humanities.

From another and broader perspective, one must accommodate all philanthropy into an understanding of how it affects and is affected by public policy. This means one must also fit individual and indirect support for the arts into the conceptual scheme. In part, this proceeds from the foregoing proposition about a sequence of differing relationships between institutional patrons. In other words, since we know that individual and indirect support of the arts collectively constitutes the majority of philanthropy, how is it that at various times, individuals, foundations or government agencies have been able to exert a decisive effect upon aspects of artistic activity? Using political analogies and the case of orchestras to illustrate, I propose the following.

Federal tax policy underlies the system of indirect philanthropic support from all sources. It is an antecedent factor to providing the tax revenues which government can then use (in part) to provide direct funding to the arts. Although it often seems to be considered a prime independent variable affecting private philanthropy, I think it is more appropriately conceived of as an intervening variable influencing, but not controlling, private philanthropy. Similarly, the state of the economy might also be considered an intervening variable -- that is, during times of prosperity, all types of potential patrons are likely to have more money available for philanthropic purposes. (This is different from motive which may, in part, operate in an inverse relationship to the state of the economy; that is, during hard economic times, the "need" for philanthropy may become more evident, therefore prompting an altruistic response.) It follows from this line of reasoning that tax policy and the indirect support system that it affects provide a crucial base for the arts. From one perspective, especially as to the discernible effect upon the arts themselves, its incremental and disaggregate characteristics make it analytically unwieldy. Indeed, the analogy of a coral reef island comes to mind: gradually coalescing almost molecule by molecute with the shape and rate of growth generally affected by wind, tide, pollution and chance. Out of this "natural" process emerges an island and upon its surface, man, animal and nature may then impose a specific character. Likewise, upon the base of indirect support, direct philanthropic activity may then exert a discernible effect upon the arts.

The bulk of direct philanthropic support comes from individuals. Let us leave aside the issue of individual major patrons who are becoming scarcer and who are unlikely, even when concentrating their contributions in a single field or on a single institution or artist, to exert a broad and national effect. Individuals support the arts as contributors and as consumers. These are two quite different roles. To better appreciate the distinction, one can draw the analogy to the public's roles in political support. Public opinion is like individual contributors to the arts. In both cases, the phenomenon is idiosyncratic (although influenced by environmental circumstances) and subject to considerable change. It is indicative of attitudes and preferences but not decisive of political action. It is essentially atomistic and nondirective (in the case of arts, contributions which are seldom made with

restrictions on their use). Hence, the many individua
butors which, collectively, account for an important com
arts support can be grouped with indirect support --
and necessary base, but of questionable direct effect on
themselves.

As consumers, individuals become an important fact
earned income of artists and arts institutions. A
audience members or art purchasers, individuals may be
to voters in the political system. With minimal and
temporary exceptions, everyone can become a voter
everyone can become an arts consumer. Voting, l
purchasing, is a decisive, directive act. It links o
action. It can express positive or negative opinion.
case, you can vote "with your feet".

While voting is the minimal form of political parti
one may likewise think of arts attendance as a minimal
artistic activity. Although the arts are often critic
being elitist and a "frill", the analogy between
consumption and political participation sheds a differ
on the issue. The most "passive" forms of voting
consumption (voting in presidential elections and
literature/broadcast cultural programming) occur in
equal proportions: approximately 55% voting turnout
literature and 58% cultural programming.[27] At the nex
voting in state/local, off-year elections vs. attendanc
art event/museums at least once during a year, the fi
approximately 44% vs. 39%. Finally, at the level
participation, personal involvement (e.g. contribute m
for office, etc.) or primary turnout vs. attendance a
arts events (opera, symphony, theatre, dance, museu
figures are 2-10%/25% for political activity while "hi
activity ranges from 3% (opera) to 23% (museums).
words, the arts are no more elitist than is
participation. Therefore, just as the facts and figures on
political participation do not invalidate democracy in America,
neither should arts participation figures be used to undermine
the value and significance of the arts in America.

To return to my earlier point about the large but
essentially atomized support base of the arts, individual art
consumers are also a fragmented universe. Hence, est
the linkages between such individual support and its
effect on the arts encounters problems similar to those
concerning indirect and individual contributions. T
point to which I shall return shortly. Thus it can be a
that the majority of support for the arts -- indirect, i
contributors and income earned from individuals -- is a
but not a sufficient factor in discerning the possible e
philanthropy (public or private) on the arts. As even
examination of Table 2 (which details the proportionat
of support for orchestras) will reveal, this propositi
appear to be counter-intuitive since individual support
and other) accounts for between 75% and 80% of total
revenues over the course of the past 15 years.

Table 2.

Orchestra Revenue 1970-1984
($ in millions) (% of total revenue)*

	Earned	Government	Corporations	Foundations	Other Private
1970-71	**$45.7** 56.4%	**$8.1** 10.0%	**(E)$4.4** 5.4%	**(E)$6.7** 8.3%	**(E)$16.2** 20.0%
1976-77	**$88.9** 57.7%	**$20.8** 13.5%	**(E)$7.7** 5.0%	**(E)$5.8** 3.8%	**(E)$30.8** 20.0%
1977-78	**$102.4** 57.6%	**$25.0** 14.1%	**$10.2** 5.7%	**$2.7** 1.5%	**$37.6** 21.1%
1978-79	**$121.8** 56.6%	**$31.5** 14.6%	**$13.9** 6.5%	**$0.5** 0.2%	**$47.6** 22.1%
1979-80	**$141.3** 57.0%	**$33.4** 13.5%	**$16.9** 6.8%	**$2.2** 0.8%	**$52.6** 21.3%
1980-81	**$163.2** 56.5%	**$36.1** 12.5%	**$19.8** 6.9%	**$1.9** 0.7%	**$67.8** 23.5%
1981-82	**$187.7** 57.5%	**$37.4** 11.5%	**$24.0** 7.4%	**$2.7** 0.8%	**$73.8** 22.6%
1982-83	**$201.6** 57.9%	**$36.3** 10.4%	**$25.3** 7.3%	**$2.4** 0.7%	**$82.6** 23.7%
1983-84	**$220.2** 58.1%	**$38.1** 10.1%	**$30.3** 8.0%	**$3.4** 0.9%	**$87.0** 22.9%

(E) = estimate
* Percentages may total more than 100% due to rounding.

Sources: American Symphony Orchestra League statistics presented in annual reports of 1980-81 - 1984. Estimates were extrapolated back from 1977-78 data and combined private contributions figures (Corporations, foundations and other private) for 1970-71 and 1976-77.

American Association of Fundraising Counsel, Giving USA 1985, statistics on "Total Giving, 1955-1984," p. 41-45.

If one will accept my basic assumption, however, then effective linkages can be discerned. As a general proposition, therefore, I would suggest that the most significant philanthropic influence will be exerted by whichever party is the largest single source of support available. In 1970-71, government support would seem to have exerted this role. But the 10% attributed to "government" does not come from a sole source. Rather, it is a combination of federal, state and local contributions (See Table 3). Thus, when public donors are specified, no one governmental patronage source stood capable of exerting a decisive philanthropic influence. Instead, foundations carried that role in 1970-71. Of course, one can argue that there are many foundations and that, therefore, like governments, no one is likely to "command the field". In the case of orchestras and foundations in 1970-71, this argument would be wrong since between 1966 and 1976, a single foundation -- the Ford Foundation -- contributed over $80 million to American orchestras. In doing so, they set the direction for orchestras that other "players in the field" followed.

By 1976-77, this situation had changed. The Ford program was winding down and governmental (specifically federal) support had become the dominant funding source in the arena.[28] Through its newly initiated challenge grants and its regular program grants, the NEA was prompting orchestras to expand and diversify their audiences, to expand opportunities for American musicians and composers, and to stabilize the financial condition and engage in better long-range planning. Although NEA patronage has always been organized around the idea of "matches" from other sources, during the 1980's this principle has evolved into an explicit emphasis upon public-private partnerships. Furthermore, these partnerships have tended to be formalized earlier than had been the case formerly and to be arranged through federal efforts rather than informally assembled by arts organizations after receiving a single source grant. Examples of these partnerships abound, such as the National Choreographers Project (Rockefeller/Exxon/NEA), an art collections survey of black universities (NEA/CBS), and the Expansion Arts Community Foundation Initiative (NEA and 14 state and city community foundations).

Within the last decade, the federal government--specifically the NEA-- has clearly become the leading patron of the arts in America: leading both in the sense of the single largest source of financial support as well as in the sense of the conceptual pace-setter in the field. The NEA's competence is the agency's primary asset in its performance of this role. Through its peer review panels, the NEA has assembled an expert advisory and screening system unmatched by any other potential or actual patron, public or private. While the peer panel review system is an unquestionable support to informed public policy decision-making, its significance for private philanthropy and for non-federal decision-making must also be recognized. As the leading patron of the arts, the NEA exercises influence not merely financially but through its expertise. Other federal agencies employ the Endowment's advisory resources in their cultural decision-making (e.g., the USIA on cultural exchanges, the GSA on

Table 3

Orchestra Support/Governmental 1970-1984
($ in millions) (% of all revenue)

	Federal	State	Local	Total Government	Total Revenue
1970-71	(E)$4.7 5.8%		$3.4 4.2%	$ 8.1 10.0%	$81.1
1976-77	(E)$11.9 7.7%		$8.9 5.8%	$20.8 13.5%	$154.0
1977-78	$ 8.7 4.9%	$ 8.8 4.9%	$ 7.6 4.3%	$25.0 14.1%	$177.9
1978-79	$13.2 6.1%	$ 9.9 4.6%	$ 8.5 3.9%	$31.5 14.6%	$215.2
1979-80	$13.6 5.5%	$11.4 4.6%	$ 8.4 3.4%	$33.4 13.5%	$246.4
1980-81	$12.1 4.2%	$13.4 4.6%	$10.6 3.7%	$36.1 12.5%	$288.8
1981-82	$10.6 3.2%	$17.5 5.4%	$ 9.3 2.9%	$37.4 11.5%	$326.2
1982-83	$ 9.6 2.8%	$15.8 4.5%	$10.9 3.1%	$36.3 10.4%	$348.2
1983-84	$ 8.6 2.3%	$17.3 4.6%	$12.2 3.2%	$38.1 10.1%	$379.0

Sources: American Symphony Orchestra League statistics presented in Annual reports of 1980-81-1984; National Endowment for the Arts Annual Reports, 1970, 1971, 1976, 1977.

public art commissions, etc.). Through project and block grants, state, municipal and regional arts agencies are also linked to particular NEA project priorities and initiatives (e.g., dance touring, artists-in-the-schools). Corporate and foundation patrons have come to regard an NEA grant to a project, institution, or artists as an imprimatur of quality and merit.[29] The patronage of entire communities, including both individual and institutional donors, can be magnetized by an NEA grant decision (most notably through challenge and advancement grants or through the new community foundation initiatives). Thus, the impact of federal arts policies is far greater than its sheer dollar amount might suggest. The degree of linkage between the federal and other patronage sources is, however, a subject that requires further investigation.

Having raised the foregoing issues concerning patterns of philanthropy and public policy, let me conclude with a question and a caveat. First, the question. If one examines the three tables presented earlier, it would appear that the three kinds of institutional patronage--governmental, corporate, and foundation--have moved into a condition of parity. That is each source accounts for about a third of their combined total support for the arts. Thus, unlike the past, we may now be moving into a situation in which there may be no preeminent pace-setter for arts patronage. This possibility appears to be quite likely when one realizes that the foundation and corporate categories themselves represent fragmented universes of separate entities. Additionally, governmental patronage has become increasingly decentralized as combined state arts appropriations have matched and even surpassed (in 1986) federal funding. One can clearly see the reapportioning of the kinds of governmental support awarded to orchestras.

While philanthropic pluralism has generally been regarded positively, it, like political pluralism, has its negative aspects. Pluralism can contribute to the incapacitation of leadership and the loss of consensus concerning standards. Pluralism can also encourage irresponsibility and the "tragedy of the commons". When everyone is responsible for the maintenance of a common asset, ultimately no one may meet that responsibility.

With regard to the arts, the consequences of philanthropic parity and pluralism may accord an inordinate influence to the earned income element for artists and arts organizations. Accordingly, this may allow "box-office" popularity to "dictate" the character of artistic production in ways that may create an artistic deficit in order to avoid a financial one. More positively, the current emphasis upon endowment building as a way of providing arts organizations with greater earned interest resources could give them a measure of insulation and thus independence from the dictates of the box office.

Thus, the question becomes: have we moved into a condition of philanthropic pluralism and partiy and what are its consequences likely to be? Perhaps at a more philosophical level, it could be asked whether philanthropic leadership can be exercised from an intangible base (expertise) or whether it must always rely on a financial one?

Lastly, the caveat. Focussing on philanthropy and public policy concerning the arts puts the broader discussion about philanthropy and the meeting of social needs into a different perspective. From this vantage point, I suspect that the independent sector may, unwittingly, be stumbling into a mode of thought that is fraught with future peril. The recently heightened self and public awareness of philanthropic, nonprofit and voluntary activity and institutions has been framed largely by a concern over how to meet society's general obligation to help the truly needy.[30] Thus, the independent sector is acquiring a public image as the sector of charity and the needy. While this is a laudably altruistic image, it is nonetheless one that is not only incomplete but likely to be "bad politics". It is incomplete because "need" is popularly associated with material/economic deprivation, yet many nonprofit areas of activity such as the arts and humanities, higher education, and scientific research do not fit within this narrow conception of "need."

It is "bad politics" because it can leave the independent sector with a weak constituency base. One need only listen to some of the current explanations for the decline of the Democratic Party to recognize the problem that may be ahead for the nonprofit sector. According to some analysts, the Democratic Party undercut its own public support by increasingly sponsoring policies that benefitted disadvantaged minorities rather than addressing more common interests. In shifting from inclusive New Deal policies to minority-concerned Great Society policies, the Democratic Party changed its image from the party of the common man to the party of the minorities. If the nonprofit sector becomes the sector of the needy, then it seems headed for an erosion of public legitimacy and support similar to that which currently plagues the Democratic Party.

Nearly fifty years ago, Franklin Roosevelt observed that "necessitous men are not free men." He said that with regard to economic necessity, and we can agree with him on society's responsibility to provide for these basic material needs. Yet it should also be remembered that free men are entitled to "the pursuit of happiness" and that happiness lies not only in material things but in those intangibles of the spirit such as art, education, science and religion.

FOOTNOTES

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1. See the synopsis of the panel, "Social Science and the Arts: A Review of the Last 20 Years", held at the 10th Annual Conference on Social Theory, Politics, and the Art in Robinson (1985).

2. For an overview, see Balfe (1985c). For examples of some of the sociological research that has been done on the arts, see Gans (1974 and 1985); Peterson (1976 and 1983); DiMaggio and Useen (1978); Bystryn (1978);Robinson (1984); Becker(1982) and Sussman (1984). For a political science discussion of the elitism-populism debate, see Wyszomirski (1982).

3. On aspects of the economic impact approach see, New England Arts Foundation (1981); Violette and Taqqu (1982); Mulcahy (1986 forthcoming). The classic statement on the "earnings gap" is Baumol and Bowen (1966).

4. Chartrand (1984).

5. DiMaggio (1984).

6. Among these works on the New Deal arts programs are Mathews (1967); McDonald (1968); Magione (1972); and McKinzie (1973).

7. Mulcahy and Swaim (1982); Cummings (forthcoming); Cummings and Katz (forthcoming); Mulcahy (1982 and 1985); and Wyszomirski (1980 and 1983a).

8. Douglas (1983); Douglas and Wildavsky (1980-81): Salamon and Abramson (1982); Young (1983); Smith (1981); Musselwhite (1985); Schooler (1983); also Nielsen (1979).

9. For example, see Balfe (1986 and 1986 forthcoming); DiMaggio (1978); Feld, O'Hare, and Schuster (1983); Urice (1985); and VanDen Haag (1978).

10. Collaborative or collective, multidsciplinary works include Mulcahy and Swaim (1982); Keller (1983); McFate (1984); Clotfelter and Salamon (1981); and Balfe and Wyszomirski (1985).

11. Thalacker (1980) and Harney (1981).

12. Balfe and Wyszomirski (1986b -forthcoming).

13. Among others, there are books available on the Metropolitan Opera, the New York City Ballet, the American Ballet Theatre, the San Francisco Ballet, Lincoln Center and Kennedy Center.

14. DiMaggio and Stenberg (1985), p. 136.

15. Martorella (1978); Balfe and Wyszomirski (1985b and 1986b-forthcoming); DiMaggio and Stenberg (1985).

16. On the Boston Symphony, see DiMaggio (1982).

17. Mankin (1984).

18. Wyszomirski (forthcoming).

19. Schwarz and Peters, (1983), Chapter 3.

20. Ford Foundation (1974), preface.

21. Robinson (1986-forthcoming)

22. On the National Information System, see Clack (1982); on the state programs, see National Conference of State Legislatures (1981 and 1985).

23. On challenge grants, see Gingold (1980); on art in public places, see Harney (1981); and on expansion art partnerships, see Foundation Center (1983).

24. Published accounts by former NEA officials include Straight (1980), and Taylor and Barresi (1985). Former Chairman Livingston Biddle is working on a history of his tenure. For an excellent, early collection of portraits of arts administrators and public officials who played important roles in American arts policies, see Burns (1975).

25. The Twentieth Century Fund Study resulted in the Baumnol and Bowen study (1966). The Rockefeller Fund study (1965) was coordinated by Nancy Hanks who would go on to lead the NEA through an extraordinary period of growth and success.

26. White (1970).

27. Figures from NEA, Five Year Plan (1984), pp. 116-120.

28. For a fuller analysis of the trends and variations in NEA orchestra policy, see Wyszomirski and Foster (forthcoming).

29. Friedman (1982), p. 23 quotes Frank Saunders, vice

presidents of Phillip Morris Inc., on the expertise of the NEA when he says "We value NEA" judgment, on more than one occasion we have relied on its involvement in deciding to sponsor one or another particular show."

30. For example, see Whittlesey (1980), p. 10 and Salamon and Abramson (1985), p. 51.

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WORKING DRAFT

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DONORS TO HIGHER EDUCATION: IMPLICATIONS FOR TAX POLICY

by
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Prepared for
Public Policy Among the Subsectors Panel
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Introduction

Voluntary support of higher education always has provided a vital source of revenue for current operations, or in support of such specific programs as scholarships for talented or needy students, research activities, endowment of faculty chairs, and construction of classrooms, science laboratories, and libraries. Almost one-fifth of the total revenues for independent colleges and universities and an increasing proportion of public institutions' revenues come from charitable support.

According to the Council on Financial Aid to Education, total contributions to higher education reached $5.6 billion in 1983-84. Approximately 68 percent of that amount supported independent colleges and universities and 32 percent supported public colleges. For independent institutions, donations by individuals accounted for the majority of support (51 percent). Individuals' gifts to public institutions made up 37 percent of their total charitable support.

A significant amount of research has shown that the level of charitable giving is linked to incentives (or lack of incentives) in the tax system. Public policy decisions, at the federal and state levels, have some influence on the level of gift revenues to not-for-profit organizations. However, while the impact of changes in tax policies generally is known at the macro level, there are no adequate data to make similar estimates at a micro level. This information is critical because the impact of changes resulting from public policy decisions can vary dramatically among types of institutions. These variations need to be explored and analyzed in a way that will help policy makers understand the impact of any proposed changes in current policies.

On behalf of public and independent colleges and universities, the National Institute of Independent Colleges and Universities (NIICU) is attempting to fill some of this gap in data availability. With the financial support of the Prudential Foundation, the Lilly Endowment, the Exxon Education Foundation, and the Washington-based higher education associations, NIICU is conducting a study on charitable giving by individuals to higher education. A carefully selected sample of institutions is providing names of individual donors. These individuals are then sent a questionnaire to obtain information on charitable giving behavior, as well as information on their income, net worth, and other characteristics detailed below.

The research is a significant step forward in collecting data on a specific part of the not-for profit sector. For itemizers and non-itemizers, and by income level, information will be available on charitable giving to higher education in relation to total charitable giving by individuals. These data can help play a role in understanding more thoroughly the complex relationships of giving and tax policy and enhance our knowledge of giving to different types of colleges and universities in particular.

Because data will not be available until Spring 1986,this paper must necessarily serve as a progress report on the research process and focuses on the methodology used in the selection of the sample of institutions and the individual donors.

Sample Selection

A stratified random sample of 560 colleges and universities was selected originally. Three strata were considered in drawing this sample: state, institutional control (i.e., public or independent), and level of gift support. Data obtained through the Higher Education General Information Survey (HEGIS) administered by the U.S. Department of Education's Center for Education Statistics were used to define the strata. For a universe of approximately 3,300 colleges and universities, a delineation was made according to gift income for individual institutions within public and independent control categories within each state. The categories for gift income were: 1) more than $5 million in annual gift support; 2) between $1 million and $5 million; 3) between $500,000 and $1 million; and 4) less than $500,000. In the sample, institutions in the higher gift income categories have been "over-sampled" in an effort to collect data on greater proportions of donors of large gifts. Although it depended on the composition of institutions in an individual state (some states did not have colleges in the category of more than $5 million in gift support) an attempt was made to choose four public and four independent colleges from gift category no. 1; three public and three independent colleges from category no. 2; two public and two independent colleges from category no. 3; and, one public and one independent college from category no. 4.

However, the original attempt to develop a sample which would be valid for each state became impossible when a significant number of institutions (160) declined to participate in the project. Most of that group reported that they were in the middle of, or about to begin, a major capital campaign and did not want to approach their donors for sensitive information. However, because of high participation rates in certain individual states, a valid sample be may available in those cases.

As of January 1986, there are 206 colleges and universities (see Appendix A) participating in the project. Attempts are still underway to secure participation from a number of additional institutions which have not responded to our requests to participate in the project.

The second stage of the sample selection process involved obtaining data from each participating institution on the number of individual donors and the aggregate amount they contributed in 1984 in three categories: 1) donors giving $5,000 or more; 2) between $100 and $5,000; and, 3) less than $100. Up to 120 individuals were then randomly selected from each institution to receive questionnaires. Again, more emphasis was put on the highest gift category. Up to 50 names were selected from category no. 1; and, up to 35 names from each of the other two categories were selected.

Questionnaire Development

The questionnaire used in this project (see Appendix B) is based on the survey instrument used by Harvard University in its recent survey of donors. Modifications were made based on the experiences of the Harvard project. Questions were added on state residence and gifts of appreciated property. In addition, the survey form was reformatted. Space also was provided on the questionnaire for comments from the respondents. To date, many individuals have taken the opportunity to offer opinions on charitable giving and the value of favorable tax treatment. A selection of those comments is included below.

> "I feel that deductions for charitable contributions should continue; if not, contributions will decline and organizations will badger Congress for money to replace lower private giving."

> "The proposed changes would reduce contributions. While they probably wouldn't have an effect on small donors such as me, they would affect larger ones. James Michener, for example, has said that he would not have given $2 million to Swarthmore under the proposed tax law."

"I feel very strongly that Congress should continue to make it attractive for contributors like ourselves, with relatively modest incomes, to make contributions - by encouragement through deductions or otherwise."

"Charitable giving must be promoted! The cost of education today would be astronomical otherwise. Even the federal government has to understand this. As a parent of five - all of whom opted for college - I couldn't possibly handle the actual cost of education today."

"Please recommend retaining the tax deduction for charitable giving. We've always shared our income, whatever the amount, with not-for-profit organizations and believe they are an essential aspect of our society. Inasmuch as tax regulations reflect social policy, charitable deductions should be given to encourage this support of such vital organizations. There are more worthy charitable 'causes' than income for us, yet the tax deduction is a strong incentive."

"For those of us who see the wasting of huge amounts for military purposes, the ability to designate a few contributions to worthwhile endeavors is a healthy form of catharsis. This should not be underestimated in terms of the national well-being."

"Friends - the wealthy must begin paying taxes - it's an innovative idea whose time has come. But if their charitable giving is taxed, their charitable instincts will vanish. Private higher education would be a major casualty of such a policy."

"If the Government ceases to permit contributions for tax-deductible credit, donors will either cease to give or will greatly reduce their contributions. If this occurs, I believe it would almost destroy our institutions of higher learning and millions of our youth would have to forego a higher education - this would be a terrible calamity to the American way of life. As a relatively high donor, let me urge you to refrain from any legislation that would restrict or reduce, in any way, donor tax-credit for contributions to institutions of higher education. America needs its institutions of higher learning and needs them at their best.

Please do what you can to help them, not hinder them."

Current Project Status

As of January 1986, approximately 6,000 questionnaires have been distibuted. An additional 18,000 questionnaires will be mailed through February as participating institutions provide lists of donors. The mailing is repeated once to remind individuals to return their questionnaire and to encourage their cooperation.

The final data base will be made available to other researchers. There is no information that would make it possible to identify a response from a particular individual which protects the confidentiality of the donors. Similarly, because participating institutions were promised confidentiality in return for their participation, their identification will be removed from the data base, but descriptive characteristics (public, independent, university, or liberal arts college, etc.) will remain.

Appendix A

NATIONAL STUDY ON CHARITABLE GIVING TO HIGHER EDUCATION

PARTICIPATING COLLEGES AND UNIVERSITIES
(as of January 1986)

Alaska
- University of Alaska

Alabama
- Auburn University
- S.D. Bishop State Junior College
- Spring Hill College
- Talladega College
- University of Alabama

Arizona
- American Graduate School of Management
- Arizona State University
- Grand Canyon College
- Navajo Community College
- Southwestern College

Arkansas
- Ouachita Baptist University
- Southern Baptist College
- University of Arkansas

California
- California State University - Sacramento
- Occidental College
- Pepperdine University
- Santa Clara University
- Stanford University
- University of California - Los Angeles

Colorado
- Colorado School of Mines
- University of Colorado
- University of Northern Colorado
- University of Denver

Connecticut
- Fairfield University
- Saint Joseph College
- Trinity College
- Wesleyan University

Connecticut (cont.)

University of Hartford
Yale University

Delaware

University of Delaware
Wesley College

District of Columbia

Catholic University
Gallaudet College
George Washington University
Georgetown University

Florida

Florida Atlantic University
Florida State University
Stetson University
University of Florida

Georgia

Agnes Scott College
Emory University
Georgia Institute of Technology
Georgia Southern College
Georgia State University
Medical College of Georgia
Mercer University
Paine College

Hawaii

Hawaii Loa College
University of Hawaii

Idaho

NONE

Illinois

Carl Sandburg College
Eastern Illinois University
Illinois Benedictine College
Loyola University of Chicago
University of Illinois

Indiana

Ball State University
Earlham College
Indiana State University
Indiana University
Tri-State University

Indiana (cont.)
- University of Notre Dame

Iowa
- Drake University
- Iowa State University of Science and Technology
- Luther College
- Morningside College
- Palmer College of Chiropractic

Kansas
- Emporia State University
- Kansas State University
- Saint Mary College
- Southwestern College

Kentucky
- Ashbury College
- Berea College
- Centre College
- Eastern Kentucky University
- Georgetown College
- University of Louisville

Louisiana
- Loyola University in New Orleans
- Northeast Louisiana University
- Tulane University
- University of Northwestern Louisiana
- Xavier University of Louisiana

Maine
- University of Southern Maine

Maryland
- Columbia Union College
- Saint John's College

Massachusetts
- Fitchburg State College
- Northeastern University
- Suffolk University
- University of Massachusetts Medical School

Michigan
- Albion College
- Eastern Michigan University
- Mercy College of Detroit
- Michigan State University
- Michigan Technological University

Michigan (cont.)
- Spring Arbor College
- Wayne State University

Minnesota
- Bethany Lutheran College
- College of Saint Thomas
- Hamline University
- University of Minnesota

Mississippi
- Jackson State University
- Millsaps College
- Tougaloo College
- University of Southern Mississippi
- William Carey College

Missouri
- Park College
- Saint Louis University
- University of Missouri

Montana
- Concordia Teachers College
- Creighton University

Nevada
- University of Nevada

New Hampshire
- NONE

New Jersey
- Princeton University
- Seton Hall University

New Mexico
- NONE

New York
- CUNY Brooklyn College
- Houghton College
- New York Medical College
- Pace University
- Rensselaer Polytechnic Institute
- Rochester Institute of Technology
- Ulster County Community College

North Carolina
- Atlantic Christian College

North Carolina (cont.)

- East Carolina University
- Fayetteville State University
- Gardner-Webb College
- Greensboro College
- North Carolina State University
- University of North Carolina
- Wake Forest Univesity
- Western Carolina University

North Dakota

- Jamestown College
- University of North Dakota

Ohio

- Baldwin Wallace College
- Case Western Reserve University
- Cleveland State University
- Hebrew Union College
- John Carroll University
- Ohio Wesleyan University
- University of Akron
- University of Steubenville
- University of Dayton
- Wilmington College
- Youngstown State University

Oklahoma

- Hillsdale Free Will Baptist College
- University of Oklahoma

Oregon

- Oregon Institute of Technology
- Reed College

Pennsylvania

- Albright College
- Beaver College
- Carnegie-Mellon University
- Duquesne University
- Gannon University
- Lebanon Valley College
- Lehigh University
- Swarthmore College
- Temple University
- University Of Pittsburgh
- University of Pennsylvania

Rhode Island

- Brown University

Rhode Island (cont.)
- Community College of Rhode Island
- Providence College
- Salve Regina - Newport College
- University of Rhode Island

South Carolina
- Benedict College
- Central Wesleyan College
- Claflin College
- Clemson University
- Furman University

South Dakota
- Northern State College
- University of South Dakota

Tennessee
- Lincoln Memorial University
- State Technical Institute
- Tennessee State University
- University of Tennessee

Texas
- Baylor College of Medicine
- Texas A & I University
- Texas Christian University
- University of Dallas
- University of Houston

Utah
- Southern Utah State College
- University of Utah

Vermont
- Bennington College
- Middlebury College
- Norwich University
- University of Vermont

Virginia
- Bridgewater College
- College of William and Mary
- Old Dominion University
- University of Virginia
- University of Richmond
- Virginia Military Institute
- Virginia Polytechnic Institute

Washington
- Central Washington University
- Seattle University
- University of Washington

West Virginia
- Bethany College
- Davis and Elkins College
- Salem College
- West Virginia Institute of Technology
- West Virginia University

Wisconsin
- Medical College of Wisconsin
- University of Wisconsin

Wyoming
- University of Wyoming

Appendix B

NATIONAL STUDY ON CHARITABLE GIVING

122 C Street, N.W., Suite 750, Washington, D.C. 20001

CONFIDENTIAL QUESTIONNAIRE

CHARITABLE CONTRIBUTIONS

1. What was the total amount of your charitable contributions (to all organizations) in 1984? $________

   a. How much of this amount was in cash/checks? $________

   b. How much of this amount was in a form other than cash/checks?
      Stocks and bonds $________
      Real estate $________
      Collectibles/Other $________

   c. OPTIONAL What was the original cost or tax basis of your contribution(s) in Question 1(b)? If you do not know, please leave blank and go to Question 2.
      Stocks and bonds $________
      Real estate $________
      Collectibles/Other $________

CHARITABLE CONTRIBUTIONS TO COLLEGES AND UNIVERSITIES

2. What was the total amount of your charitable contributions to ALL colleges and universities in 1984? $________

   a. How much of this amount was in cash/checks? $________

   b. How much of this amount was in a form other than cash/checks?
      Stocks and bonds $________
      Real estate $________
      Collectibles/Other $________

   c. OPTIONAL What was the original cost or tax basis of your contribution(s) in Question 2(b)? If you do not know, please leave blank and go to Question 3.
      Stocks and bonds $________
      Real estate $________
      Collectibles/Other $________

3. What was the total amount of your charitable contributions to (College Name) in 1984? $________

   a. How much of this amount was in cash/checks? $________

   b. How much of this amount was in a form other than cash/checks?
      Stocks and bonds $________
      Real estate $________
      Collectibles/Other $________

   c. OPTIONAL What was the original cost or tax basis of your contribution(s) in Question 3(b)? If you do not know, please leave blank and go to Question 4.
      Stocks and bonds $________
      Real estate $________
      Collectibles/Other $________

RESPONDENT CLASSIFICATION

These last few questions are for classification purposes only. Your answers will be combined with others and will not be reported individually.

4. What is your age? ________

5. What is your state of legal residence? ________

6. If married, did you file a joint Federal income tax return in 1984?

yes ________
no ________
not married ________

7. Did you itemize your deductions on your 1984 Federal income tax return?

yes ________
no ________

8. Which of the following ranges represents your household adjusted gross income (AGI) in 1984?

Less than $20,000 ________
$20,000 - $29,999 ________
$30,000 - $39,999 ________
$40,000 - $49,999 ________
$50,000 - $74,999 ________
$75,000 - $99,000 ________
$100,000 - $149,000 ________
$150,000 - $199,000 ________
More than $200,000 ________

9. Which of the following ranges represents your household net worth in 1984?

Less than $100,000 ________
$100,000 - $249,000 ________
$250,000 - $499,000 ________
$500,000 - $999,000 ________
$1,000,000 - $2,999,999 ________
More than $3,000,000 ________

Thank you.

We welcome your comments on this survey and/or your thoughts about current federal tax laws and proposed changes as they pertain to charitable giving.

SECTION THIRTEEN - GIVING, VOLUNTEERING AND PUBLIC POLICY

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WORKING DRAFT

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TAX REFORM AND CHARITABLE GIVING

by
Lawrence B. Lindsey

Prepared for
Giving, Volunteering and
Public Policy Panel
March 14, 1986

About the Author: Lawrence B. Lindsey is Assistant Professor of Economics, Harvard University and Faculty Research Fellow, National Bureau of Economic Research.

TAX REFORM AND CHARITABLE GIVING

In the past 18 months we have witnessed the most massive effort at tax reform in over 30 years. The proposals by the Department of Treasury in November, 1984, the President in May, 1985, and the legislation passed by the House of Representatives in December, 1985, all contemplated significant changes in the structure of the personal income tax. One likely side effect of all three pieces of legislation would be a significant reduction in the level of charitable contributions made by individuals.

The adverse impacts of all of these proposed reforms on charitable giving was largely the indirect result of changes in the code which affected the after-tax cost, or price, of making charitable gifts. The two leading causes of these indirect effects on giving are the reduction in the marginal tax rates for most individuals and the prospective reduction in the number of taxpayers who will itemize their tax returns.

This paper examines the effect of each of these changes on the price of making charitable contributions, the after-tax income of contributors, and the resulting effect on charitable giving. The simulated effect of these proposals on charitable giving is derived using standard economic models of giving behavior and economic parameters based on a decade of econometric research.

The first section reviews the economic literature on charitable giving behavior and describes the model used for specifying the behavioral response of taxpayers. The second section of this paper reviews the three tax reform proposals which have been part of the evolution of our current tax bill: the Treasury proposal, the President's proposal, and the House bill (H.R. 3838). Special attention is paid to the importance of various provisions in each bill to charitable giving. The final section presents the results of simulating the various changes in the tax law.

Econometric Evidence on Taxes and Giving

Microeconomic studies of consumer or household behavior focus on two parameters to determine the level of an activity undertaken: the price of the activity and the income of the household. The same is the case in the econometric evaluation of charitable giving. The price of making a charitable gift of one dollar is the foregone disposable income involved in making that gift. For taxpayers who itemize their deductions, this price for gifts is unity minus the individual taxpayer's marginal tax rate. Gifts of appreciated property face a lower price which depends on the ratio of tax basis to current market value. Furthermore, in 1986, non-itemizers were allowed to reduce their taxable income by the amount of their charitable deductions. Thus, for that year, non-itemizers and itemizers in the same tax bracket faced the same price of giving.

The value of income used in the simulations in the present paper took Adjusted Gross Income as the base. This was modified to reflect the virtual income simulation technique developed by Hausman[1]. In this formulation, the known level of giving of a taxpayer, G_0, can be converted into a new level of giving, G_1, given the taxpayers current income, Y_0, income after the tax change, Y_1, current price of giving, P_0, and price of giving after the tax change, P_0. The parameters used to make this conversion are the income elasticity of charitable giving, α, and the price elasticity of charitable giving, β. Equation 1 expresses the conversion.

$$(1)\ \ln G_1 = \ln G_0 + \alpha \ln (Y_1/Y_0) + \beta \ln (P_1/P_0)$$

The price relevant for simulating the taxpayer's situation is the price of making the last dollar of his gift. Economists maintain that taxpayer behavior is based on the marginal incentive faced by the individual, or alternatively the price of giving either one more dollar or one less dollar. This marginal price is expressed as a weighted average of the price of making a gift of cash and the price of making a gift of appreciated property. Using a convention established by Feldstein and Taylor[2], equation 2 gives the price of giving for any given taxpayer.

$$(2)\ P_i = c_i(1-rate_i) + (1-c_i)(1-rate_i-f_i cgrate)$$

In equation 2, c_i represents the fraction of gifts made in cash by taxpayers in the same income class as the taxpayer being simulated. $Rate_i$ represents the marginal tax rate facing the taxpayer and $cgrate_i$ represents the marginal tax rate on long term capital gains which the taxpayer faces. The parameter f_i indicates the proportion of appreciation in gifts of appreciated property made by taxpayers in the same income class as the taxpayer being simulated. Values for the parameter c were obtained from Feldstein and Taylor while values for the parameter f were obtained from Auten and Rudney[3].

The use of a last dollar price is particularly important when simulating the effects of floors and ceilings in the tax treatment of charitable giving. In the case of a floor, a taxpayer with giving lower than the floor faces a price of giving of unity because his last dollar contributed receives no incentive. On the other hand, a taxpayer giving more than the floor receives a marginal incentive and is modelled as receiving the same price of giving as if there were no floor. The reverse is true in the case of ceilings. Taxpayers giving more than the ceiling face no marginal incentive to contribute, while those under the ceiling receive a full incentive.

Even though a floor or a ceiling is relevant from the view of price determination only if it affects the last dollar price, it also has an effect on income. If a taxpayer receives a full incentive on his last dollar given, but not on some inframarginal dollars, the lost incentive on the inframarginal dollars will lower his income. This virtual income effect in the case of charitable giving is described in detail in Lindsey (1985)[4].

The imposition of a floor also creates the possibility that a taxpayer may choose one level of giving when confronted with a particular price and income, but that that level of giving is incompatible with the level of price and income from which it was generated. In this case, an explicit indirect utility format must be used which compares the utility of the taxpayer at each point on the budget set. The method for solving this problem is described in Feldstein and Lindsey[5].

Given the revenue neutral objective of these tax reform proposals, the effect of income on giving is likely to be quite small. The literature search described below for selecting paramater values therefore focusses on the price elasticities found by the various investigators.

Feldstein used a constant elasticity specification in his 1975 National Tax Journal article which used data from alternate years from the Statistics of Income[6]. The mean level of charitable contributions by itemizers was regressed on the mean level of disposable income in various income cells, and an estimate of the mean price of giving for taxpayers in that cell. Simultaneity bias was eliminated by using tax rates and disposable income faced by taxpayers assuming no charitable contributions were made. The basic estimate for a price elasticity was -1.24.

Feldstein and Clotfelter[7] used household data from the Federal Reserve Board's Survey of the Financial Characteristics of Consumers. The basic result was a price elasticity of -1.15. Feldstein and Taylor[8] used the 1970 Individual Tax Model File in their 1976 paper which found a price elasticity of -1.29.

Boskin and Feldstein[9] used data from the 1974 University of Michigan Survey Research Center for households with income under $30,000. Their basic finding was a price elasticity of -2.54. Dye[10] used the same data base but incorporated a wealth variable in his regression and found a price elasticity of -2.25. Reece[11] used the 1972-73 Consumer Expenditure Survey and found a price elasticity of -1.19 using a Tobit procedure of estimation to account for a large number of zero entries.

Feenberg[12] used a detailed modelling of state income taxes at the National Bureau of Economic Research to avoid simultaneity bias in estimation. His basic estimate of -1.23 is very much in line with the other estimates, although his paper highlights the importance of considering alternative specifications of after-tax price. Clotfelter and Steuerle[13] used the 1975 Individual Tax Model file to estimate a price elasticity of -1.27 for the population as a whole.

The results presented in the present paper assume a price elasticity of -1.20 for simulation purposes. This tends to be on the conservative side of the range of estimates presented above. It is important to stress that 10 years of academic investigation of the price sensitivity of charitable giving using a wide variety of data bases and econometric techniques presents a very robust conclusion that taxes have a profound effect on charitable giving.

Tax Reform Proposals and the Price of Giving

The original Treasury proposal for tax reform contemplated five changes with significant impact on charitable giving:

o Reduction in marginal tax rates

o Changes in the tax treatment of capital gains and gifts of appreciated property

o Increases in the zero bracket amount and reduction in the list of allowable deductions

o A floor of 2 percent of AGI on the deductibility of charitable contributions o The elimination of the "above the line" deduction for non- itemizers

The first two of these changes affect charitable contributions by raising the net-of-tax price of giving for itemizers. For example, when the top tax rate is reduced from 50 percent to 35 percent as under the Treasury plan, the price of giving rises from 50 cents to 65 cents for a top bracket taxpayer. That amounts to a price increase of some 30 percent.

The second provision would eliminate the distinction between gifts of cash and gifts of appreciated property. The taxpayer would be allowed a deduction for the lesser of indexed basis or fair market value. The capital gains tax rate was raised to equal the ordinary tax rate. Therefore, the sum of the capital gains tax foregone and the value of the tax deduction was equivalent to an ordinary deduction on the fair market value of the gift. This would be a substantial reduction from current law where the appreciated portion of the gift is included in the value of the deduction and no capital gains tax is paid.

The next three provisions of the Treasury proposal would sharply limit the number of taxpayers eligible for a deduction on their charitable contributions. The zero bracket amount for a family was raised from $3400 to $3800. The deduction for state and local taxes paid was eliminated and the deductibility of interest was limited. Furthermore, taxpayers could only deduct their charitable gifts if they exceeded 2 percent of AGI. As a result of these provisions, the number of itemizers would be cut by 57 percent, from about 40 percent of the taxpayer population to about 17 percent.

In addition to restricting the number of itemizers, the Treasury proposal to place a 2 percent of AGI floor on deductibility would eliminate deductibility for 65 percent of those retaining itemizer status. Thus, out of an itemizer population under current law of some 41 million, the Treasury plan would cut the number eligible for a deduction by about 86 percent to only 5.6 million. This, coupled with the elimination of the above the line deduction would mean that less than 6 percent of the taxpayer population would receive a deduction for their charitable gifts.

The tax reform proposal suggested by the President in May, 1985 substantially modified two key provisions of the Treasury proposal regarding charitable contributions. First, the 2 percent of AGI floor contained in the original proposal was dropped. The number of taxpayers eligible for a deduction therefore rose to include all itemizers under the plan. However, because the number of eligible deductions was reduced, some 22 million taxpayers who would have been itemizers under current law would not be under the President's plan. Only about 18 percent of the total taxpayer population would have been eligible for a tax incentive for their charitable contributions.

The second major change in the President's proposal from the original Treasury plan regarded the tax treatment of gifts of appreciated property. While the Treasury plan eliminated the special treatment of gifts of appreciated property for all taxpayers, the President's proposal established a two-tier system for treating taxpayers who make these gifts. Most taxpayers would retain the treatment under current law. In the case of a top bracket taxpayer who makes a gift of zero basis property, this would have meant an after-tax price of 47.5 cents. The taxpayer would be allowed a tax deduction worth 35 cents for every dollar contributed and would not have to pay capital gains tax of 17.5 cents for each dollar given.

Other taxpayers would be subject to alternative minimum tax treatment for their gifts. Under the proposal, gifts of appreciated property would be considered a tax preference for the first time since the enactment of the income tax. If the sum of all preferences exceeds $10,000, the appreciation is counted in the minimum tax base. The preferences would be taxed at the same rate as the value the taxpayer would get for a deduction for his gifts. Thus, from the point of the straight income tax, there would be no tax incentive for these taxpayers to make a gift of appreciated property. However, the taxpayer would still not have to pay capital gains tax on the gift, thus saving him a prospective 20 cents for every dollar given. The effect of this proposal was to raise the price of giving appreciated property for these taxpayers to 80 cents for each dollar given.

On net, the change in treatment between the Treasury plan and the President's plan was unfavorable from the point of view of charitable giving. Under the Treasury proposal, all top bracket taxpayers would face a 65 cent price of giving for appreciated property. Under the President's plan, some would face an 80 cent price while others would face a 47.5 cent price. Detailed simulations suggested that roughly 65 percent of the gifts currently made would face the 80 cent price while the remaining 35 percent would face the 47.5 cent price. The average price of giving therefore would increase under the President's plan by about 5 percent relative to the Treasury plan.

The tax reform legislation enacted by the House of Representatives made a major change regarding the tax treatment of appreciated property. The treatment of taxpayers who did not itemize was made much more favorable with regard to their gifts to charity. All non-itemizer gifts in excess of $100 would be deductible under the House passed bill. Only about 3 percent of all gifts by non--itemizers would be adversely affected by this floor. Thus, nearly full deductibility for all taxpayers was assured.

However, the House bill did not do much to change the tax treatment of appreciated property. The appreciated portion of these gifts was still considered a tax preference. However, these gifts would only be counted in the minimum tax base if the taxpayer had other preference income. The definition of other preference income was so broad as to mean that nearly all minimum taxpayers would still find a substantial portion of their gifts treated as a tax preference.

The House-passed legislation also involved higher marginal tax rates for taxpayers who make most of the contributions. The top bracket was raised to 38 percent and other tax brackets took effect at lower income levels than under the Treasury and Presidential proposals. Higher tax rates mean that, other things equal, the price of making a charitable deduction is lowered. This had a commensurate effect on the predicted level of charitable giving.

The evolution of the tax reform bills from the original legislation was generally favorable to the charitable community. The fraction of taxpayers receiving an incentive to contribute was extended from less than 6 percent of the population to virtually the entire taxpayer population. The upward drift in tax rates also had a favorable, though indirect effect. The only negative aspect of this evolution was the tax treatment of gifts of appreciated property which remained a highly unfavorable switch from current law. The next section considers the effect of these three bills on the level of charitable giving.

Tax Reform and the Level of Charitable Giving

The generally less harmful approach toward charitable giving is also reflected in the data in Table 1. This table presents the percentage change in giving from current law we could expect from the passage of tax reform. As the table shows, the original tax reform proposal by the Department of the Treasury would have reduced charitable giving by about 23 percent, or by roughly $13 billion. The President's proposal reduced this loss to about 17 percent or roughly $11 billion. Under the tax reform bill which passed the House of Representatives, this loss is only 4.6 percent, or a bit over $3 billion.

Table 1

Percent Change in Charitable Giving From Current Law

Income Class	Treasury Proposal	President's Proposal	House Bill
under 10	- 7	- 10	- 1
10-20	- 11	- 13	+ 2
20-30	- 16	- 14	- 2
30-40	- 20	- 16	- 3
40-50	- 23	- 14	- 4
50-75	- 27	- 19	- 4
75-100	- 24	- 20	- 8
100-200	- 30	- 22	- 13
200-500	- 36	- 29	- 24
500-1000	- 39	- 35	- 34
over 1000	- 50	- 47	- 36
Total	- 23	- 17	- 5

The results in Table 1 also show that significant differences in the impact of the bill occur across income classes. For example, only very moderate declines in giving can be expected among taxpayers with under $75,000 in AGI. However, giving declines of roughly one third are evident at the top of the income distribution.

It is useful to consider the reasons for this widely different change among income groups. By far the greatest reason for the tremendous improvement in the impact of reform at the lower end of the income distribution was due to the passage of an above-the-line deduction for non--itemizers. Under the House passed bill, about three fourths of all taxpayers will be non-itemizers. Without the above-the-line provision (with its $100 floor) all of these taxpayers would face a price of giving substantially higher under current law. As it is, the only change in their giving is due to a very modest reduction in marginal tax rates.

The effect of the removal of the 2 percent of AGI floor is evident in the change in giving by taxpayers earning between $30,000 and $75,000. This group, containing the vast bulk of itemizers, saw a substantial reduction in the adverse effect of the tax bill between the Treasury proposal and the President's proposal. Although the President's proposal mitigated the effect, there was still a substantial decline in giving by these taxpayers because many would not be itemizers and therefore not be eligible for a tax incentive for charitable giving.

The continued large decline in charitable giving at the top of the income distribution is due to the sharp reduction in the top tax rate -- from 50 percent to 35 or 38 percent -- and the adverse treatment of gifts of appreciated property. The effect of the minimum tax treatment of these gifts amounts to about 30 percent of the percentage decline in giving by top income groups under the House bill. Stated differently, the treatment of gifts of appreciated property as a tax preference alone causes a decline in giving by upper bracket taxpayers of between 10 and 15 percent. For those paying the minimum tax this decline in giving is on the order of 43 percent, but only a minority of top bracket taxpayers are subject to such treatment.

In conclusion, although substantial progress has been made by the charitable community to mitigate the adverse effects of tax reform, there will still be a significant decline in charitable giving as a result of tax changes. This effect will be particularly significant at the upper end of the income distribution and is likely to be felt particularly by charitable institutions providing educational and cultural benefit to the community.

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TAX POLICY AND VOLUNTEERING

by
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Prepared for
Giving, Volunteering and
Public Policy Panel
March 14, 1986

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Tax Policy and Volunteering

Jerald Schiff
Burton Weisbrod

1. Introduction

Recent proposals to reform our federal income tax system, in part by eliminating or modifying a number of tax deductions, have focused attention on the impact of such potential reforms on charitable giving. A number of studies have estimated the impact of various tax proposals on donations of money to nonprofit organizations.[1] However, the effect that tax policy might have on contributions of time, or volunteer labor, has been largely ignored. In fact, the entire subject of volunteering and its determinants has scarcely been dealt with by economists. This is due, in part, to the absence of reliable data, and in part due to the belief that volunteering is not affected by factors generally considered to be "economic". However, volunteering is quantitatively significant, with an estimated value of 64 billion dollars in 1984, compared with 48 billion dollars for money and property contributions[2], and it is affected by tax laws and other economic policy instruments.

The purpose of this paper is to analyze the potential effect of tax reform on volunteering. Rather than providing any simulations of the impact of specific proposed reforms, we discuss what is and is not known about the various ways in which taxation influences volunteering.

We begin, in Section 2, by discussing the avenues through which taxes affect hours donated. We argue that taxation influences hours donated just as it affects dollars contributed to charity. The direction and size of the impact depends, however, on the motivation behind volunteering--a subject we know relatively little about. In Section 3 we present evidence that indicates that volunteering is, in fact, influenced by economic factors and that the tax system has a significant effect on hours donated. These results also shed light on which of the several models, or explanations, of volunteering discussed are relevant. That is, they provide information on the motives for giving time.

Following that, in Section 4, we discuss the shortcomings--both theoretical and empirical--of the research in this area, and suggest directions for future research. Improved understanding of volunteer behavior, in general, and specifically the effects of taxation on volunteering, depends on both improved theoretical modelling and data.

2. The Effects of Taxation on Volunteering

Taxation potentially influences volunteering in three ways. First, a change in tax rates, or in the tax treatment of volunteering, can influence the cost, or price of volunteering. Second changes in the tax system may influence the price of donating money, and this can indirectly affect hours volunteered if money and time donations are related. Finally, tax policy influences after-tax household income, which may affect volunteering. We discuss each of these links between taxes and volunteering in turn. We then present evidence on the magnitude of these effects.

A. The Price Effect

Taxation influences an individual's choice of hours volunteered by, first, lowering the cost, or price, of volunteering. An hour spent as a volunteer is costly--beyond the out-of-pocket costs incurred by the volunteer-- because that hour has alternative uses which would be of value to the donor . The more attractive the alternatives to volunteering available to the donor, the greater the cost of giving time and the less, other things equal, that individual will give.

If individuals were unconstrained in their use of time, each person would allocate his or her time among various uses until the value of an additional hour spent in each of these ways is equalized. In this case, the opportunity cost of volunteering would equal the after-tax wage rate that one could obtain.[3] If, in the absence of taxation, an individual could earn a wage of w, his or her net wage would be w(1 - t), where t is the marginal tax rate facing the worker. Any decrease in tax rates, therefore, would tend to reduce hours volunteered as the alternative--working for pay--becomes relatively more attractive.

This analysis is complicated if volunteering is viewed as a means of acquiring skills or "human capital" which can be used to increase future wages. If acquisition of such skills is what motivates a volunteer, a cut in tax rates will have an ambiguous effect on donations of time. On the one hand, decreased tax rates will again increase the price of volunteering. On the other hand, however, expected future benefits from acquiring skills will likely be increased as well. That is, any increase in future wages brought about by volunteering will be taxed at a lower rate as well. It is possible--although not necessary--that an increase in tax rates would decrease hours volunteered. We present some evidence, below, on the relevance of this investment model.

Tax policy may influence the price of volunteering in ways other than by changing tax rates. Tax treatment of volunteering may be varied as well. So, for instance, proposals at the state and federal levels would allow volunteers to deduct some portion of the value of their volunteer time from taxable income, much as they may now do for contributions of money. In 1982, for example, one house of the New York State legislature passed a law allowing volunteers who give at least 100 hours per year to deduct 5 percent of the value of their services, up to 500 dollars.[4] Such a policy would have reduced the price of volunteering, and so encouraged donations of time. Note that this reduction in price would tend to increase volunteering even for those who give time as an investment in job-market experience, since expected future benefits from acquiring skills are unaffected, while the cost of achieving these gains is diminished.

B. Cross-Price Effects

In addition to influencing volunteering by its effect on the price of giving time, taxation may also affect hours donated indirectly via its impact on the price of money donations. If, for instance, the deductibility of money donations was eliminated or its value reduced[5], contributions of money would fall. However, volunteering would likely be affected as well, although the direction of that affect is uncertain.

One possibility is that donors, facing a now higher price of giving money, would switch to volunteering. That is, money and time donations may be substitutes, at least from the donor's point of view. If this is the case, recent estimates of the impact of tax reform on the resources of the nonprofit sector are overstated. Donations of money may fall, as predicted, but this fall may be offset, at least in part, by an increase in volunteering.

A second possibilty, however, is that as donors reduce their money contributions, they may volunteer less time--that is, money and time donations may be complements. In that case, the elimination of the deductibility of money donations would cause an even greater reduction in resources available to nonprofits than previously believed.

Which of these possibilities is, in fact, the case depends largely on the motives that individuals have for volunteering, in particular as opposed to donating money. We discuss, below, what is known about these motives. Now, however, we sketch the implications of several possible explanations, or models, of volunteering for this issue of the relationship of contributions of money and time.

One model of volunteering, which we might label the "altruist model", would hypothesize that individuals give their time, as well as their money, for the purpose of financing charitable, or nonprofit, output. I may give my time to a hospital simply to increase the amount of medical care being provided. To the extent that this is the case, we would expect money and time donations to be perfect substitutes for the donor, so that each individual will give either money or time to charity, depending on which is a cheaper way to increase charitable output, but will not give both. A change in tax policy which increased the price of giving money, such as the removal of deductibilty, would, in this event, cause an increase in volunteering.

While the altruist model likely captures one motive for giving, there are alternatives. As discussed above, for instance, some may volunteer as a means of investing in the acquisition of skills. To the extent that this is the case, there is no obvious relationship between money and time donations. An "investor" volunteer should neither significantly increase nor decrease his or her hours donated in response to a change in the cost of giving a dollar. That is, money and time donations would be independent--neither close substitutes nor complements.

Finally, certain plausible models of volunteering imply that contributions of money and time are complements. Suppose, for instance, that money donors are motivated by the desire to increase the output of the recipient organization, but that individuals volunteer in order to either gain influence over the activities of the organization or information about those activities. I may, for instance, prefer to volunteer at a local charity rather than donate money because I want to see exactly how the charity operates or because I want to have some say over its policies. If this is the case, then a rise in the price of money donations would lead to fall in such donations and could, by reducing potential donors' interest in charities, or by reducing the need for information about organizations, cause volunteering to fall.

In reality, volunteers may have complex motivations. I may, for instance, give time partly to help a particular nonprofit, partly to gain job experience and partly because I simply enjoy it. The direction and size of the cross-price effect, then, is difficult to predict from theory alone; empirical analysis is required.

Note that, just as the price of giving money affects the extent of volunteering, so is the reverse true-- the cost of giving time influences money donations. The cross-price effect works in both directions, and the direction of the effect is again uncertain a priori. If, for instance, we believe the altruist model, then an increase in an individuals after-tax wage will cause volunteering to fall, but money donations to rise. On the other hand, if volunteering leads to a donor having increased information about charitable organizations[6], then volunteers may well donate more money than non-volunteers, and a rise in one's net wage would cause contributions of both money and time fall.[7]

We need to take account of both cross-price effects when considering the impact of tax policy on nonprofit organizations. A reduction in marginal tax rates, for example, would directly effect donations of money by influencing the price of a dollar donation, $(1 - t)$, and volunteering by its impact on the opportunity cost of volunteering, $w(1 - t)$. In addition, however, the fall in net wage would indirectly affect contributions of money and the reduction in the price of giving money would influence the extent of volunteering. Evidence, examined below, indicates that these cross-price effects may be quite significant, so that ignoring them may lead to biased estimates of the impact of tax changes on giving.

C. The Income Effect

Thus far, we have discussed the potential price and cross-price effects of personal income taxation on volunteering. Tax policy may, in addition, affect volunteering, via its impact on households' incomes[8].

Volunteering can rise or fall (or remain constant) as income increases. The relationship will depend on whether the "good" that is purchased, or produced, by the volunteer is normal or inferior--i.e. whether the demand for that good rises or falls with income. Insofar as the "investment model" of volunteering is relevant, income may have little effect on hours donated. Any individual--rich or poor--would volunteer if and only if the present value of the increased future wages brought about by the investment exceeded the cost, in terms of wages foregone[9].

On the other hand, to the extent that volunteers are motivated by their desire to increase charitable output, the impact of increased income depends on whether or not charity is a normal good; if so demand for it, and so volunteering, would increase with income. Since volunteers will likely be motivated by a mix of objectives, we cannot predict the response of volunteering to changes in income from theory alone. Evidence is required.

3. Empirical Evidence

Thus far, we have discussed possible avenues for influence of taxation on volunteering. Our expectations about the directions of the effects hinges on which model of volunteering is most relevant. Here we present results from several studies that provide evidence about these effects and so, indirectly, about the relevance of the models discussed.

A. The Price Effect

Recent estimates (Menchik and Weisbrod 1981, 1985) indicate that the price of volunteering, as proxied by an individual's after-tax wage, does exert a significant influence on hours donated. Using survey data on several thousand households[10] an elasticity of volunteering with respect to the net wage of -0.4 has been estimated (significant at .01), indicating that a one dollar increase in the after-tax wage, for the typical individual, will reduce annual volunteering by 4.8. hours, or approximately 20 percent of mean hours volunteered. Thus, a change in tax rates, which affects after-tax wage rates, will likely have a non-trivial impact on hours donated. If personal income tax rates are reduced--as both the Reagan Administration and the House Ways and Means Committee propose--the supply of volunteer labor should fall. Since an overwhelming proportion of volunteering is to nonprofits, they will be particularly affected.

B. The Cross-Price Effect

This research (Menchik and Weisbrod) also indicates that money and time donations are complements, and that volunteering is quite sensitive to changes in the price of giving money. The estimated elasticity of - 1.25 (again significant at .01) implies, for example, that an increase in an itemizer's marginal tax rate from 40 to 30 percent would reduce his or her volunteer work by about 7 hours per year, or 15 percent of mean hours volunteered.

The removal of tax-deductibility of money contributions would have a much larger impact on volunteering. An individual facing a 40 percent tax rate would, after such removal, see his or her price of a dollar donation rise from 60 cents to one dollar. The estimated elasticity implies that this individual would then reduce volunteering by approximately 83 percent, or 40 hours per year. Thus, the impact of tax reform on the nonprofit sector will be much larger than implied solely by estimates of the change in money donations.

This finding of strong complementarity of money and time donations tells something of the motivations for giving time. If money and time were simply alternative means for reaching the same end--for instance increasing non-profit sector output--then the two would be substitutes. But this is not what the research shows. The finding of complementarity is consistent with the notion that volunteers are motivated by the desire to either gather information about charities or to exert influence over such organizations.[11]

Volunteer labor is not a homogeneous commodity. When volunteering is disaggregated into various types of activities--such as leadership, clerical and manual labor--and supply functions are estimated for each type separately, the results provide additional support for the influence/information model of volunteering (Schiff, 1984). Those volunteer activities which appear, a priori, to provide a good deal of potential influence, or to allow for gathering of significant amounts of information about the organization, show strong complementarity with money donations, while those that do not seem to provide such opportunities do not. The estimated elasticity of volunteer "leadership" activities with respect to the price of money donations, for instance, was -3.1 (and was significant at .01) while the cross-price elasticity for clerical and manual labor was positive (and insignificant). Thus changes in tax policy may well influence different volunteer activities in quite different ways.

The same data base was also employed (Schiff, 1984) to estimate a supply function for money donations, which included among its explanatory variables the individual's net wage. Results indicate that the cross-price elasticity for money donations is also negative and significant. Thus, tax policies that bring about changes in net wage rates will indirectly affect contributions of money, and in the same direction as they affect donations of time.

C. The Income Effect

Evidence suggests that the third avenue via which taxes may affect volunteering--through their impact on disposable income--may also be a significant one. The income elasticity of volunteering[12] has been estimated (Menchik and Weisbrod, 1985) at +.65 (significant at .01). Thus, if tax reform has a stimulative affect on national income, it will tend to increase hours volunteered, although this effect need not offset the negative price effects mentioned above.

D. Additional Findings: Volunteering and Job Training

The results discussed thus far provide indirect evidence for two models of volunteering. There is some evidence also supporting the third model discussed--the investment model. First, surveys seem to indicate that the acquisition of job skills is an important motivation for volunteering. In a 1981 Gallup Survey[13], for example, 11 percent of all adults and 20 percent of all teenagers indicated that "work experience" was a motive for initially becoming involved in volunteering. The greater importance of this motive for teenagers is not unexpected, since the value of acquiring training is greater the younger one is, and the more years one has to take advantage of those skills.

There is additional support for the idea that volunteers give time, in part, to increase future wages. Volunteering rises up to age 43, and then falls (Menchik and Weisbrod, 1985). The reduction in hours donated among older persons can be explained by the fact that the benefits from investment in human capital are relatively low for this group. There is further support for the investment model; volunteer leadership, teaching, counseling and professional volunteering --all activities which involve a good deal of job training or skill--each show a downturn at ages between 32 and 40. By contrast, volunteer clerical, manual and fund-raising labor--which require less training--do not show this pattern. Rather, they continue to increase as an individual ages (Schiff, 1984). Finally, it has been found that women who intend to enter the work force in the near future are more likely to volunteer than those who have no such plans, again supporting this investment model of volunteering (Mueller, 1975).

The extent to which volunteering is motivated by desire to develop job-related skills has implications for anticipated trends in volunteering by women. As women increasingly enter the labor force we may see the demand for training, and so volunteering, rising, rather than falling as some have feared.

E. Summary: What Do We Know

The economic analyses of voluntering to date allow us to reach a number of tentative conclusions. Most fundamentally, volunteer behavior is influenced by "economic" factors such as prices and income. Hours donated have been seen to rise as the price of volunteering falls and as incomes increase. In addition, the volunteering is influenced by other prices, specifically the price of donating money.

These findings lead us to believe that taxation, and so any change in tax policy, will affect hours volunteered, primarily through its impact on prices and/or income. In addition, estimates indicate that these effects are quantitatively significant. We saw, in particular, that the removal of tax-deductibilty for money donations would have a drastic effect on volunteering.

Finally, research thus far supports the idea that volunteering is motivated by a number of factors--the desire to increase the output of recipient organizations, demand for information and/or influence and the need to acquire job-related skills--with the most important motivation apparently varying among types of volunteer activities. Understanding the motivations for volunteering is crucial for improving our understanding of the impact of policy on hours donated. Correct specifications of future empirical models depend on knowing what factors should be included as explanatory variables.

Much work remains to be done to further our understanding of volunteer behavior, both in terms of data collection and analysis. We turn now to a discussion of the shortcomings of the work to date and possible directions for future research.

3. Future Research Directions

Volunteer labor goes unpriced and, for that reason, data on volunteering have been scarce. Those interested in studying volunteer behavior have largely been limited to analyzing survey data. While such sources differ in many ways, they all share a common shortcoming--they do not include information on wage rates of respondents. This omission has severely limited attempts at economic analysis of volunteer behavior since, as discussed, the cost, or price, of volunteering is equal to an individual's net wage rate. The lack of wage data implies not only that the sensitivity of volunteering to its own price, and so to changes in tax rates, cannot be estimated, but other elasticities of interest may be mis-estimated as well.

Some studies (Menchik and Weisbrod, 1985 and Schiff, 1984) have included a measure of wage rates in their analysis. This wage, however, is constructed from other data on individuals' hours of work, total income and non-wage income. Thus, it is less reliable than actual wage data. More importantly, such a construction necessarily limits one's sample to a specific type of individual, namely wage-earners in single-earner households. Such individuals may well respond in a different manner than others, so that previous estimates may not be applicable for the population as a whole.

It would seem, then, that future data collection should include the gathering of wage rates. In addition, other labor market information,--such as the number of jobs a respondent has, and the wage for each job, the opportunities for overtime work, etc.--would be useful in measuring the marginal cost to a donor of giving one hour to charity. It is this marginal cost we are interested in since, for example, an individual with a high wage rate but no opprtunity to work additional hours for pay (an extreme case) might face a relatively low price of volunteering.

Finally, the cost of volunteering should, ideally, include out-of-pocket costs incurred by the donor. Questions about such expenses could be asked in future surveys. One potential policy to encourage volunteering would be to increase the amount of such expenses that are tax-deductible. We would like to know how this would influence volunteer behavior.

Other data needs become more clear as theoretical analysis progresses. One topic that has not been addressed in the literature is the intra-household decision-making process that affects volunteering as well as donations of money. An individual's volunteering may, for instance, depend on his or her own wage as well as that of the spouse. Models of joint labor supply/volunteering decisions within a household would be useful in understanding both volunteer behavior, and the motivations for giving time, as well as traditional labor supply issues. The National Survey of Philanthropy (1974), for instance provides information for only one household member.[14]

A second conceptual issue that needs further examination is the relationship between donations of money and time. In addition to its relevance to the tax policy issue--recall the cross-price effect--estimating this relationship sheds light on the reasons for giving time rather than money. We noted that this issue has been addressed previously. However, it may be possible to improve on these analyses by examing the volunteer/money donations decision in a dynamic context. That is, we might attempt to understand and estimate how a household's pattern of volunteering and money donations change over time.

An "information" or "influence" explanation of volunteering, for instance, implies that a current volunteer at a particular organization may be more likely to give money but perhaps less time to that same organization in the future, but that he or she should give no more in general to other nonprofit organizations. The information or influence acquired will likely be organization-specific. Some alternative explanation, however, might generate alternative predictions. For instance, if volunteers become socialized to view charitable giving more favorably than do non-volunteers, the the act of volunteering would be expected to increase giving to all organizations. We may find that the motives that induce individuals to give money or time to begin with are quite different than those that cause them to continue.

In order to shed light on these dynamic aspects of giving, future surveys should ask repondents questions that would allow researchers to trace a time path of giving of money and time to each organization to which an individual donates. Surveys with regular follow-ups would be useful in this regard. Such data would also allow for panel estimation, which would enable us to estimate key parameters more sharply, and to separate differences in givng due to individual differences in tastes, etc. from those due to difference in, say, prices and income.

Finally, all of the analyses undertaken so far examine only the supply of volunteer labor. They assume that organizations have an essentially unlimited demand for volunteers. That may be incorrect. Future analyses should consider the organization's role.

There are, then, a number of important issues which still need to be addressed. As research progresses, data needs will become clearer. Even at present, however, certain shortcomings of current data sources are clear--the lack of wage data, the lack of detail within households, and the lack of data over time. We can be confident, though, that tax policy does exert an important influence on volunteering.

Notes

[1] See, e.g., Clotfelter (1984), Lindsey (1985) and Auten and Rudney(1985).

[2] Hodgkinson and Weitzman (1984), p.13.

[3] If an individual is not in the labor force, the opportunity cost of volunteering equals the gross value of home production, leisure, etc., since these activities are not taxed.

[4] "Tax Lure for Volunteers Under Study in Albany," New York Times, April 27, 1982, p.19.

[5] The value of deductibility could be reduced by, e.g, allowing only a portion of contributions to be deductible or by allowing a tax credit of less value than the current deductibility.

[6] Note that a volunteer may gain information about an organization whether or not gathering such information was a motive for volunteering.

[7] The cross-price elasticities need not be symmetric. That is, money donations may respond to changes in the price of volunteering either more or less elastically than hours volunteered respond to changes in the price of giving money.

[8] As discussed below, households may make choices on giving jointly. Thus household, rather than individual income, appears to be most relevant. However, individuals' incomes may also play a role.

[9] If capital markets are imperfect, this need not hold. In that case, not all investments that meet the criterion will be made. Wealthier individuals, with greater access to capital markets, may be able to make more such investments.

[10] The National Suvey of Philanthropy provides information on volunteering and money donations, as well as income, wealth, attitudes and household composition of the respondents.

[11] Note that the complementarity result cannot be explained simply by hypothesizing that certain individuals are simply more altruistic than others and so will give more money and time than others. While this may be true, it does not explain why such an individual would respond to price changes in the estimated manner.

[12] The concept of income employed was "full" or "potential" income, i.e. the income that an individual could have earned if he or she worked full time. This is preferable to using actual income, since actual income depends on hours worked which is determined simultaneously with hours volunteered.

[13] Americans Volunteer, 1981.

[14] The household head, e.g., is asked to estimate how much the spouse volunteered the previous year.

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